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Committee

Greening Government

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The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: www.parliament.uk/eacom/

A list of Reports of the Committee from the current Parliament is at the back of this volume.

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Summary

There has been some progress against targets for sustainable operations on the government estate. But the Sustainable Development Commission has found that in 2007–08 the Government was not on track to meet its target for the reduction of carbon emissions from its own buildings.

In 2007–08 the Government was on track to meet its targets for recycling and for the sourcing of electricity from renewable sources, but it performed less well than it had in 2006–07. This is not good enough. It must continue to improve the sustainability of its operations each year.

The ease with which the Government continues to meet some targets, even when its performance worsens, indicates the urgent need for the Government to set itself stringent targets that match the high level of ambition of its own policies on climate change and sustainable development.

Under the current system, only central government departments and their Executive Agencies are required to report their performance against the targets. We urge the Government to extend a system of targets and monitoring to the wider public sector, including its outsourced operations.

The Government has the potential to drive change in the wider economy through sustainable procurement, through investment in low carbon technologies and by driving the development of “green” skills in the workforce. But the Sustainable Development Commission found that Government performed poorly against its own targets. The Government must use its buying power to drive progress towards a greener economy.

The Government has made changes to the governance of its sustainable operations. But the Sustainable Development Commission has found that many of these changes have been confusing or ineffective. The Government must ensure that there is a clear line of accountability for these matters, and the Cabinet Office Minister responsible must take an active role in overseeing performance management.

1 Background

Sustainable Operations on the Government Estate

1. The Sustainable Operations on the Government Estate (SOGE) Framework is formed of three elements, each containing targets against which central government departments must report their performance. The first is a set of SOGE targets, including targets for the reduction of carbon emissions from offices and road vehicles, the reduction of waste arisings and water consumption, recycling rates and biodiversity. The second is a set of “Mandated Mechanisms” intended to help departments improve their performance. These mechanisms include the application of the Building Research Establishment Environmental Assessment Method (BREEAM) standards to new builds or major refurbishments and the use of formal Environmental Management Systems (EMS). The third is the Sustainable Procurement Action Plan (SPAP).

Scrutiny of the Government’s record by EAC

2. This is our eighth report on the subject of sustainable operations on the government estate. Through this work the Committee has played a significant role in the evolution of the Government’s own target and monitoring regime.¹ We first coined the term ‘Greening Government’ in a report published in 1998, and our annual survey of departments formed the basis for the Government’s data collection exercise for the now annual Sustainable Development in Government (SDiG) report.

3. In our most recent report on this issue, published in July 2008, our main concerns were:

- the poor progress by departments against their carbon reduction goals;
- the lack of clarity about how the target of making government offices carbon neutral by 2012 was to be met, and the extent to which offsets might be used to achieve this target;
- the restricted scope of the SDiG targets and monitoring regime, in that it does not cover NHS bodies or schools; and
- the contribution made by ICT to the upward trend in emissions from civil departments.²

Shortly after the publication of our report, the Government put in place a new governance framework for sustainable operations. This report examines what progress has been made over the past year.

1 Environmental Audit Committee, Second Report of 1997–98, *The Greening Government Initiative*, HC 517; Sixth Report of 1998–99, *Greening Government 1999*, HC 426; Fifth Report of 1999–2000, *The Greening Government Initiative: First Annual Report from the Green Ministers Committee*, HC 341; Thirteenth Report of Session 2002–03, *Greening Government 2003*, HC 961; Eighth Report of 2003–04, *Greening Government 2004*, HC 881; First Report of 2005–06, HC 698; Environmental Audit Committee, Seventh Report of Session 2007–08, *Making Government operations more sustainable: A progress check*, HC 529

2 Environmental Audit Committee, Seventh Report of Session 2007–08, *Making Government operations more sustainable: A progress check*, HC 529

Data quality

4. While it is clear that the quality of data reported by government departments for the Sustainable Development in Government Assessment has improved substantially in recent years, questions remain. In 2002, the Government published the first Sustainable Development in Government (SDiG) report. In 2006, coinciding with the introduction of a revised set of SOGE targets, the Sustainable Development Commission (SDC) became responsible for the annual publication of the SDiG report. In the three years preceding the 2007–08 assessment, the SDC had gathered the performance data as reported by departments. For the 2007–08 assessment, the Office of Government Commerce (OGC) and the Centre for Expertise in Sustainable Procurement (CESP) worked with the SDC to use an existing central government property database, e-PIMS, to collect data. For the 2008–09 reporting period, responsibility for all data collection will be transferred to the Government.

5. In its most recent report on the sustainability of government departments, the SDC called for “rigorous, centralised verification of the entire dataset [...] before sign-off”.³ Farooq Ullah, Policy Analyst, Strategic Assessment, doubted that this verification could be carried out by the SDC and thought that it needed to be done by a third party under contract.⁴

6. The quality of data reported by government departments for the Sustainable Development in Government Assessment has improved substantially in recent years. Further improvement requires a formal process of audit and verification. We recommend that the Government undertake an assessment of the cost and feasibility of implementing a system of external verification of the data submitted by departments.

3 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 50

4 Q 8, Q 11

2 Sustainable Development in Government Assessment 2007–08

SOGE Targets

7. Last year we expressed concern about the Government's poor performance against some of its Sustainable Operations on the Government Estate (SOGE) targets. As in 2006–07, the 2007–08 data show that government is not on track to meet targets in two key areas: carbon emissions from offices and the sourcing of electricity from combined heat and power (CHP). The Sustainable Development Commission (SDC) noted:

- A decrease of 6.3% in carbon emissions from offices since the baseline year. This is an improvement of 2.3% from 2006–07. However, government is still not on track to meet the 2010–11 target of a 12.5% decrease, and rate of reduction still needs to be accelerated to meet the SOGE target.
- Some progress against the CHP target with a total of 8.7% of electricity derived from CHP, compared to 2006–07's 5.8%. However, government is still not on track to source at least 15% of electricity from CHP by 2010.⁵

There are also areas where “good progress” is reported against the target, but where performance is worse than it was in 2006–07. The SDC noted:

- Good progress against the renewables target with 22% of electricity derived from renewable sources. However, government is performing less well than 2006–07 when 28.3% of electricity was derived from renewable sources.
- Performance against the recycling target reported good progress with a recycling rate of 35.0%. However this was a slight drop compared to 2006–07 (38.5%).⁶

We disagree that a drop in performance can constitute “good progress”, even where the Government remains on track to meet a target.

8. Minas Jacob of the SDC argued that the deterioration in performance against the target for the generation of electricity derived from renewable sources was mainly due to a lack of local leadership, funds and skills. The Government offered no explanation for the drop in the total percentage of electricity derived from renewable sources but said that “the Department of Energy and Climate Change (DECC) is currently considering what more needs to be done on the use of renewables on the Government Estate.”⁷ This is an inadequate response to a striking deterioration.

5 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 42

6 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 42

7 Ev 26

9. The Sustainable Development Commission has awarded Government four stars (out of a possible five) in its rating of pan-government performance against the Sustainable Operations on the Government Estate targets; this represents an improvement of one star compared to the 2006–07 reporting period. We welcome the progress that government has made against its SOGE targets in a number of key areas, including waste, water consumption and emissions from road travel. Performance against a number of important targets has, however, been poor. The Government must ensure that in the 2008–09 reporting year it is on track to meet all of its SOGE targets. Where the Government is meeting its targets, it must not be complacent; if progress against a given target is slowing, it must offer an explanation.

Mandated mechanisms

10. The Government received only two stars (out of a possible five) in the SDC's assessment of its implementation of mandated mechanisms. The SDC described this performance as “relatively poor”.⁸ Of particular concern is the finding that:

Figures continue to show poor performance against the Building Research Establishment Environmental Assessment Method (BREEAM) commitment, with only 42% of total projects (new build and major refurbishments) achieving the required standard.⁹

11. The Office of Government Commerce (OGC) has announced that it will be “working to resolve the issues and barriers that are preventing ‘mandating’ from meaning exactly what it is supposed to mean”.¹⁰ OGC has already identified a number of these barriers, including “the limitations of specific mechanisms, suitability for tailoring to individual departmental need, and the availability of support tools and guidance”.¹¹ **It is completely unacceptable that central government departments are failing to comply with mandatory requirements. A marked improvement in the Government’s performance against its targets for the use of mandated mechanisms in the 2008–09 reporting year is needed.**

Sustainable procurement

12. As a result of its enormous buying power, the Government is in a powerful position to influence the wider economy through its own suppliers. The SDC gave the Government a two star rating (out of a possible five) for compliance with commitments set out in its Sustainable Procurement Action Plan (SPAP). It noted that “Government is not yet on track to meet all of the SPAP commitments and urgently needs to address these if it is to become an EU leader in sustainable procurement by the end of 2009”.¹² The SDC drew

8 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 42

9 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 43

10 Office of Government Commerce, *Sustainable Procurement and Operations on the Government Estate: Delivery Plan Update*, December 2008, p. 10

11 *Ibid.*, p. 14

12 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 44

particular attention to the fact that only 14 of 21 departments included clauses for Quick Wins/extended mandatory product standards in all relevant contracts, and described this as “very disappointing”.¹³ Budget 2008 announced the creation of the Centre for Expertise in Sustainable Procurement (CESP) within OGC, and the Update to OGC’s Delivery Plan announces a number of measures to improve the Government’s performance on sustainable procurement.¹⁴

13. The Government is in a position to exert a powerful influence on its own suppliers and on the wider economy. Recognition of this potential must result in a serious commitment to sustainable procurement and decisive, radical action to ensure that the Government meets and, where possible, exceeds its own targets on procurement. The creation of the Centre for Expertise in Sustainable Procurement is a step in the right direction; we hope to see solid evidence of its effectiveness in the data reported during 2008–09. In particular, we expect to see a significant increase in the number of departments including clauses for Quick Wins or extended mandatory product standards in all relevant contracts.

13 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 45

14 Office of Government Commerce, *Sustainable Procurement and Operations on the Government Estate: Delivery Plan Update*, December 2008, p. 16

3 Meeting the targets

Delivery plans

14. The Government response to the Sustainable Development Commission's 2006–07 report announced that the Centre of Expertise in Sustainable Procurement (CESP) would draw up a delivery plan by summer 2008. In our last report on the matter, we concluded that:

The departmental delivery plans that the Office of Government Commerce is overseeing are a major step forward. They should not be a one-off exercise, but should be done annually, to set out clearly what progress each department is making, and a revised series of actions needed to meet their targets in the light of that progress.¹⁵

The Government has committed to updating the Delivery Plan every six months.¹⁶

15. The Delivery Plan was published by OGC in August 2008; an Update was published in December of that year. In some areas they appear to us to be overly optimistic. The Update announces that the Government is on track to exceed the target for a 12.5% reduction in carbon emissions from offices by 2010–11. The Government was not on course to meet this target in 2006–07 or 2007–08. We asked witnesses from the SDC whether they felt that the statement that “Government as a whole is on track to exceed the 2010–11 target for carbon emissions” was supported by evidence. Their answer was unambiguous: “No”.¹⁷

16. The Delivery Plan notes that the achievement of this target is subject to “the successful implementation of the initiatives identified”. Of these initiatives, by far the greatest reduction (121,478 tCO₂) is expected to be delivered by “carbon management”, though neither plan explains what is meant by this term. Neither did the SDC fully understand what the Government meant by “carbon management”.¹⁸ William Jordan, Chief Sustainability Officer, OGC, described it as:

A kind of activity that departments undertake with the Carbon Trust when they engage in a carbon management programme. It involves taking an audit of what they are doing, looking at what they can do to improve matters. It is very largely a behavioural change programme.¹⁹

17. The Government offered a further explanation:

‘Carbon management’ [...] refers to an organisation developing a strategic framework for managing its carbon emissions as part of its ongoing business

15 Environmental Audit Committee, Seventh Report of Session 2007–08, *Making Government operations more sustainable: A progress check*, HC 529, para 62

16 Environmental Audit Committee, Eighth Special Report of Session 2007–08, *Making Government Operations More Sustainable: Government Response to the Committee's Seventh Report of Session 2007-08*, HC 1126, para 22

17 Q 31

18 Q 33 [Mr Farooq Ullah]

19 Q 65

practice. In many cases, this will involve working with the Carbon Trust through their Carbon Management Programme to systematically prioritise and implement projects with the greatest business and carbon impact.²⁰

The Government also provided a list of projects that were expected to contribute to the 121,478 tCO₂ of reductions to be achieved by carbon management. Many of these were described simply as “Carbon Management Programme”. We do not consider that this document provides a clear explanation of the meaning of “carbon management” and how the reductions in emissions it is expected to achieve have been calculated.

18. We are unconvinced by the claim that the Government is on track to exceed its 2010–11 target for the reduction of carbon emissions from offices. It is not sufficient for it to base its projections on unverified figures; delivery plans are meaningless if they are not supported by evidence. We recommend that, in the next iteration of its Delivery Plan, the Government set out in detail the means by which it intends to meet this target and define what it means by “carbon management”.

19. We asked how CESP had arrived at the very specific figures for the emissions reductions that could be achieved by carbon management. We were particularly keen to know whether this figure had been arrived at on the basis of a calculation based on empirical experience of previous programmes to reduce emissions, or whether CESP had simply accepted the estimates provided by departments and added them together. We were disappointed to learn from Mr Jordan that, “At the moment [departments] give us a number and we add them up”.²¹ He conceded that the plan was not “perfect” and that “some departments have much more robust plans than others”.²²

20. We welcome the Government’s commitment to revise and update its Delivery Plan on a quarterly basis, and expect future versions of the plan to be based on robust and verified data. Every department must produce a credible, evidence-based plan of how it will make progress against all of the SOGE targets. The plans must make clear how this activity is resourced.

Finance and investment

21. The Government needs to spend to save. Natural England, a Non-Departmental Public Body, told us that it had:

[...] set out its target to reduce the carbon emissions of its estate energy use and its business travel by 50% by the end of 2010. Natural England has further committed to ensuring that delivering this target will be cost neutral with all upfront investment paid back in five years.²³

22. It is not clear that central government as a whole is taking adequate steps to calculate the costs and benefits of sustainable operations, and then to invest to save—both money

20 Ev 26

21 Q 73

22 Q 74

23 Ev 48

and carbon emissions. For example, the use of self-generated renewables on the government estate has the potential to drive substantial reductions in carbon emissions and large-scale investment in these technologies has the potential to act as a catalyst for the development and production of the technologies and the associated green jobs and skills. But Andrew Lee, Director, SDC told us that “we had considerable difficulty in trying to get hold of figures that would give us an accurate picture of what the potential is”.²⁴ He went on to tell us:

At the moment those figures do not exist. You cannot look into one place and see here is the technical potential for micro-renewables right across the government estate and here is the cost/benefit analysis of how quickly those measures could be put in place, how much energy bills could reduce and what the return on investment period would be. That work needs doing as a matter of urgency.

23. The cost of climate change and the price of mitigation are changing the way we look at what we spend. The evidence we received from NG Bailey, a provider of business services, explained that “there are insufficient models which factor in the impact of the regulatory and market changes that are likely to be demonstrated in a low carbon economy.” It argued that “the development of a universally recognised payback model may facilitate more investment decisions”.²⁵

24. It is not sufficient for cost/benefit analyses to draw on current energy costs in calculating the savings that might result from investment in measures to reduce carbon emissions. The Government must assess precisely the future cost of not making significant investment to reduce carbon emissions now. Without such an assessment, it is impossible for government departments to compare accurately the costs of options available to them. If the Government itself is unable to accurately forecast the cost of compliance with its own policies, it is difficult to understand how those in the wider public sector and in the private sector can be expected to do so.

25. We asked William Jordan, Chief Sustainability Officer, whether the Government had made an estimate of the costs incurred in the delivery of the SOGE targets. He told us:

No. We have done no estimate of the cost of delivering the targets. They are part of “business as usual”. They are also, in my view, part of the pursuit of value for money.²⁶

It seems logical that any calculation relating to value for money should involve, at the very least, an estimate of the costs incurred. The Government will fail to convince either the public or the private sector that sustainable operations are a desirable and achievable goal until the costs and benefits are communicated more clearly and are supported by solid evidence.

26. Investment based on the best available information is crucial to the delivery of any programme that aims to deliver sustainable operations. Many of the changes needed to

24 Q 17

25 Ev 33

26 Q 90

meet and exceed the SOGE targets require an initial outlay that is greater than the “business as usual” alternative. Such increased up-front costs are in many cases more than compensated for by the savings that can be realised in the longer-term. If the Government is to succeed in convincing the wider world of this, it must be prepared not only to make the necessary investment in sustainable operations, but also to make the case for sustainability by publishing clear calculations of the costs and benefits it entails.

Carbon Reduction Commitment

27. The Carbon Reduction Commitment (CRC) is an emissions trading scheme that will cover around 5000 public and private organisations, including government departments, retailers, banks and local authorities. An announcement from the Department of Energy and Climate Change (DECC) explains that “The scheme is due to start in April 2010 and is designed to tackle CO₂ emissions not already covered by Climate Change Agreements and the EU Emissions Trading Scheme”.²⁷

28. The SDC has welcomed the Government’s announcement that all central government departments and some other public sector bodies will participate in the CRC, but has nevertheless expressed concerns about the readiness of central departments. It warns that “The baseline for the CRC is the same year as the target year for the interim SOGE target which means departments may already have achieved many carbon reductions, and may therefore have a more difficult starting point”.²⁸ If government departments fail to make the necessary reductions in carbon emissions, they will have to buy allowances from other participants in the scheme. This means that poor performance by government departments could result in their having to pay large sums of money to the private sector.²⁹

29. The SDC underlined the importance of ensuring that the interaction between SOGE targets and other initiatives, such as the CRC, was properly understood and managed; it was important that the delivery plan should take into account “how these things will link together and the alignment or misalignment issues that will arise”.³⁰

30. The update to the Government’s Delivery Plan, to be published in summer 2009, must contain a detailed explanation of how departments will participate in the Carbon Reduction Commitment, and of how this participation will interact with the SOGE Framework. It must also explain how the Government intends to minimise the risk of large transfers of public money to the private sector as a result of poor performance by government departments. We also expect it to contain an assessment of the possible financial implications, both for central government and for the wider public sector, of participation in the scheme.

27 Department of Energy and Climate Change, *Carbon Reduction Commitment*, http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/crc.aspx

28 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 14-15

29 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 14-15

30 Q 32

4 Reviewing the targets

31. The Government is conducting a review of the Sustainable Operations on the Government Estate (SOGE) Framework. The Delivery Plan Update published by the Office of Government Commerce (OGC) in December 2008 states that this review “will strategically assess the overall sustainable procurement and operations framework.”³¹ The review is an ongoing project that will not reach its conclusion until the autumn. In this section of our report, we set out the issues that must be addressed in any revised SOGE Framework.

Targets

32. The SDC’s 2007–08 report identifies a number of targets that “are no longer challenging enough”.³² These areas include waste and recycling, water consumption and biodiversity. The SDC also drew attention to the unhelpful interaction between the targets for energy efficiency and for carbon emissions. Energy efficiency is measured in energy use per m²; as the SDC explains, this means that “it is possible to increase energy consumption and still show a positive performance against the energy efficiency target”.³³ This could happen if the total floor area occupied by a department increased by a greater proportion in ratio to its energy consumption. We drew attention to this problem last year, and recommended that the Government should replace its energy efficiency targets with targets for reducing absolute levels of energy use.³⁴ While improvements in energy efficiency are welcome, this target does not reflect the urgency of the need to reduce energy use and carbon emissions. Such inconsistencies within the SOGE Framework must be addressed as a matter of urgency.

33. The Environment Agency has identified several SOGE targets whose stringency could be increased. In written evidence, it asserted that:

The Environment Agency’s aim is to reduce emissions by 30% by 2012. We believe that all Departments and Agencies should be able to achieve a similar target.³⁵

It also identified targets that all departments and agencies could achieve much sooner than is currently anticipated, including:

The target to reduce CO₂ emissions by 30% should be achieved by March 2015. The Environment Agency has set itself a 30% reduction target in CO₂ emissions by March 2012.

31 Office of Government Commerce, *Sustainable Procurement and Operations on the Government Estate: Delivery Plan Update*, December 2008, p. 13

32 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, pp 42-43

33 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for*, p. 50

34 Environmental Audit Committee, *Seventh Report of Session 2007–08, Making Government operations more sustainable: A progress check*, HC 529, para 44

35 Ev 36

The target to reduce water use by 25% by 2020 should be achieved by March 2015. Our target is to reduce water use by this amount by March 2012.³⁶

This ambitious approach to sustainable operations is commendable. We are convinced that all government departments and agencies could equal this ambition.

34. A revised SOGE Framework must provide targets that are challenging enough to achieve the scale of change required to deliver sustainable operations. They should reflect the level of the Government's own ambition on sustainable development and climate change. The revision of the framework must also address incoherencies in the current system, and must produce targets that work together to drive progress towards sustainable operations.

Coverage

The current SOGE Framework applies to the UK-based operations of all central government departments and their Executive Agencies (EAs). The targets largely exclude the overseas estate, the devolved administrations and the wider public sector (local government, NHS trusts, police forces and constabularies, and educational establishments).³⁷ In our last report on this issue, we recommended that “OGC, relevant departments, and the SDC develop comprehensive annual assessments of progress in important sectors such as NHS bodies and schools”.³⁸ We were pleased to note, in the Government's response to our last report on this subject, that the scope of the SOGE Framework will be considered during the course of the ongoing review, including the inclusion of outsourced services and suppliers.³⁹

35. The SDC believed that it was urgently necessary for the SOGE Framework to be extended to non-departmental public bodies (NDPBs), outsourced operations and suppliers. They argued that if the Government were serious about sustainable development it would immediately extend the SOGE Framework to its suppliers. Minas Jacob drew attention to the implications of the relatively narrow scope of the Framework:

All you need to do is outsource something or to create an NDPB that does not report and then it is not covered. What we are asking for is for government to actually understand, report on and improve on its own business.⁴⁰

36. The Government's review of the SOGE Framework will address the question of the scope of its coverage. **The SOGE Framework must aim to cover the environmental impacts of all government business. Targets for sustainable operations must be applied as widely as possible, and the reporting of performance against them must be made mandatory. It is not necessary for uniform targets to be applied across the board; they**

36 Ev 36

37 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, pp 48-49

38 Environmental Audit Committee, Seventh Report of Session 2007–08, *Making Government operations more sustainable: A progress check*, HC 529, para 53

39 Environmental Audit Committee, Eighth Special Report of Session 2007–08, *Making Government Operations More Sustainable: Government Response to the Committee's Seventh Report of Session 2007-08*, HC 1126, para 16

40 Q 41

may be tailored where appropriate. We urge the Government to set out a detailed timetable for the extension of the scope of the SOGE Framework and to develop suitable mechanisms for the monitoring of performance against the targets. We also recommend that the Government assess the costs and benefits of extending the Framework.

Credits and offsetting

37. The contract for the Government Carbon Offsetting Fund (GCOF) has been renewed. The previous incarnation of GCOF covered only ministerial and official air travel (and some minor rail and car travel). The new contract will play a part in delivering the SOGE target to achieve carbon neutrality on the government office estate by 2012. The Government said that:

DECC is currently undertaking a consultation on a draft definition of carbon neutrality and good practice recommendations for users of the term. The consultation closes on 21 May 2009. The consultation will allow Government to conclude whether the target is an effective way of demonstrating climate change leadership. The outcome of the exercise will feed into the review of the SOGE targets.⁴¹

38. The SDC has expressed concern about the Government's approach to offsetting. In its report, it warns that "a clear stance on carbon neutrality and carbon offsetting is still lacking".⁴² Farooq Ullah told us that "The issue is to not see offsetting as the end but as an interim part of the solution while further reductions are continuously sought".⁴³

39. The Government said that offsetting has a legitimate place in the hierarchy of actions to tackle climate change, but it agreed that emissions should be measured, avoided and reduced before offsetting could be considered.⁴⁴ The Environment Agency described how it had used expenditure that could have been spent offsetting emissions to reduce its own emissions instead. It had established a Carbon Reduction Fund whose budget was based on the cost of offsetting the agency's emissions. The fund was used to invest in carbon reduction projects and to stimulate the development of new technologies.

40. Offsetting is not a substitute for action to reduce emissions; all other options must be exhausted before offsetting is considered. The Government must show clearly how the Government Carbon Offsetting Fund (GCOF) is being used and must provide assurance that options for reducing emissions have priority. The use of GCOF must be transitional and departmental delivery plans should show how emissions that are currently offset will be reduced in future. The Government should publish its estimates of the amount to be spent on offsetting each year and the Chief Sustainability Officer should assess whether this spending constitutes value for money.

41 Ev 14

42 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 16

43 Q 46

44 Ev 14

5 Governance and accountability

Variations in departmental performance

41. Even in areas where progress against Sustainable Operations on the Government Estate (SOGE) targets is good overall, there are still significant differences in departmental performance. On emissions from road travel, for example, the overall reduction against the baseline year is 10.3%. The best performing central department, the Treasury (whose figures include the Royal Mint), reduced emissions by 41.7%. The worst performing, the Department for Children, Schools and Families, recorded an increase in emissions from road vehicles of 16.3%. The department's own commentary on its performance made no mention of this poor record.⁴⁵ Andrew Lee, Director, Sustainable Development Commission (SDC) acknowledged that one of the SDC's key priorities was to improve consistency across departments.⁴⁶ The graphs of departmental performance published in the Update to OGC's Delivery Plan also showed that there was little consistency of performance over time.⁴⁷ In many cases, departments improved their performance one year only to deteriorate the next.

42. We asked the SDC to comment on the reasons for the variations in departmental performance. Minas Jacob suggested that the absence of a pan-government strategy on travel, for which the SDC had been calling for a number of years, explained the large variation in departmental performance against the target for reducing emissions from road travel.⁴⁸ More generally, the SDC identified a number of possible factors that it was investigating, including leadership, resources, the extent to which staff understood that sustainable development was part of their objectives, and the extent to which sustainable development was a mainstream part of a department.⁴⁹

43. It is perhaps inevitable that there should be variations in departmental performance against the SOGE targets, but the scale of variation recorded is evidence that something is wrong. It is vital that the Centre of Expertise in Sustainable Procurement, overseen by the Sustainable Procurement and Operations Board, provides centralised co-ordination to ensure that all departments are maximising their capacity to meet their SOGE targets. We urge the Government to continue to work with the Sustainable Development Commission to improve the ways in which best practice is shared between departments.

45 Sustainable Development Commission, *Sustainable Development in Government 2008*, December 2008, <http://www.sd-commission.org.uk/publications/downloads/CO2vehicles.pdf>

46 Q 13 [Mr Andrew Lee]

47 Office of Government Commerce, *Sustainable Procurement and Operations on the Government Estate: Delivery Plan Update*, December 2008

48 Q 13 [Mr Minas Jacob]

49 Q 13 [Mr Andrew Lee]

Executive Agencies

44. It is mandatory for Executive Agencies to report their performance against the SOGE targets. Last year, we concluded that:

We find it unacceptable that 15% of Executive Agencies do not report performance against their Sustainable Operations on the Government Estate targets, even though this is mandatory. OGC must ensure that all Executive Agencies report to the SDC each year.⁵⁰

We had hoped to see a significant improvement in the 2007–08 reporting period. Instead, the SDC reports that 16% of Executive Agencies did not report their performance.⁵¹ In its response to the report we published last year, the Government assured us that:

CESP will be working with departments to identify gaps in reporting, raising any exclusions with permanent secretaries and developing action plans to address any barriers which may currently prevent an executive agency from meeting the reporting requirements.

45. We deplore the continuing failure of a significant portion of Executive Agencies to report their performance against their Sustainable Operations on the Government Estate targets. The ability of the Centre of Expertise in Sustainable Procurement to ensure that Executive Agencies report their performance will be an important test of the effectiveness of the recent changes made to governance arrangements. We see no reason why all Executive Agencies should not report their performance against the SOGE targets for the 2008–09 period. We will be pursuing any compliance failure with the relevant Chief Executive directly.

Changes to governance structures

46. The Government has recently introduced a number of changes in the governance of its sustainability programme. Budget 2008 announced the creation of the Centre of Expertise in Sustainable Procurement (CESP), situated within OGC. The Government's response to the 6th Annual SDiG assessment (2006–07) said that CESP would:

Address the need for stronger integration between the government's action on procurement and the government estate and the drive to achieve SOGE targets and SPAP commitments through strong cross-Whitehall collaboration.⁵²

50 Environmental Audit Committee, Seventh Report of Session 2007–08, *Making Government operations more sustainable: A progress check*, HC 529, para 50

51 Sustainable Development Commission, *Sustainable Development in Government 2008: Challenges for Government*, p. 49

52 Cabinet Office, Defra, and OGC, *Government Response to the Sustainable Development Commission SDiG Report 6*, March 2008, p. 3

It set out CESP's objectives as follows:

- to provide stronger central coordination of performance management, and to provide guidance and support to help departments rapidly develop capability and capacity to deliver out commitments;
- to work with departments to draw up a delivery plan with milestones and a trajectory for the delivery of the government's SOGE targets and SPAP commitment, to be published in summer 2008;
- to take account of all the recommendations of the SDC report and, in the delivery plan, lay out timescales for their delivery;
- to set out the actions required to counter the barriers that stand in the way of further progress in government and to raise government's capability and leadership in sustainable procurement and operations.⁵³

47. The Government response to the 6th Annual SDiG assessment also announced the creation of a new post of Chief Sustainability Officer. In addition, it reported that:

The Cabinet Secretary has announced that sustainability of the government estate is one of his four corporate priorities and that all permanent secretaries will have objectives relating to their department's performance against the SOGE targets for 2008–09.⁵⁴

We welcomed these developments in our last report on this issue, noting that “We expect this to have a tangible effect on the forcefulness and coherence of departments' response to these issues”.⁵⁵ The evidence submitted to this year's inquiry does not suggest that our expectations have been realised. We asked the SDC to comment on the effects of the inclusion of sustainability goals in the personal objectives of permanent secretaries. Minas Jacob, Team Leader, Watchdog, told us:

I have not seen any evidence that that has made a difference. It is good to see that at least they have them now after three or four years of us requesting them, but we have not actually seen what difference that has made.⁵⁶

48. Government witnesses told us that these changes had had a positive effect. William Jordan said that “this agenda has become much more salient in central Whitehall since the Cabinet Secretary declared this to be a corporate priority and put these personal objectives in place for permanent secretaries.”⁵⁷ He told us that he and the chief executive of OGC saw permanent secretaries three times a year for one-to-one meetings in advance of the Commercial Delivery Board, and that the question of sustainable operations and

53 Cabinet Office, Defra, and OGC, *Government Response to the Sustainable Development Commission SDiG Report 6*, March 2008, p.3

54 Cabinet Office, Defra, and OGC, *Government Response to the Sustainable Development Commission SDiG Report 6*, March 2008, para 15

55 Environmental Audit Committee, *Seventh Report of Session 2007–08, Making Government operations more sustainable: A progress check*, HC 529, para 65

56 Q 27

57 Q 57

performance against the SOGE targets was addressed during these meetings. We hope to see the effects of this in the 2008–09 reporting year.

49. The inclusion of sustainability goals in the personal objectives of permanent secretaries was an important gesture. But it seems to have remained no more than a gesture. There is little evidence to suggest that this has had any effect on departments' efforts to achieve sustainability. We intend to examine the performance of permanent secretaries who do not meet their targets in 2008–09, and invite them to explain their performance to us.

Ministerial responsibility

50. Last year we recommended that one minister should have clear overall responsibility for sustainable operations. The Government accepted this recommendation and explained that “The lead Minister for this work was appointed in August and is the Cabinet Office Parliamentary Secretary”.⁵⁸ We asked the SDC what difference this appointment had made. Farooq Ullah told us that:

I think the SDC would like to know exactly what the role of that Minister is and have it very well spelt out. To date we have not really seen a lot of presence of the Minister in this work and I think that could be stepped up as well. This is one clear example of this high-level leadership we have talked about where the minister now really does need to show his presence and lead by example as well as giving that motivation.⁵⁹

William Jordan, Chief Sustainability Officer, OGC, told us that the principle of having a Cabinet Office Minister responsible for this agenda sent a strong signal to civil servants about the importance of sustainable operations.

51. A meaningful commitment to the sustainability of government operations must come from the highest level. If the question of sustainable operations is to carry real weight within government, it is vital that the Minister responsible shows active leadership. We expect to see solid evidence of the Minister's commitment to this agenda when we next inquire into this subject. We recommend that the Minister responsible for this agenda should take a more active role in the oversight of performance management by the Sustainable Procurement and Operations Board.

52. It is not only the Minister responsible for sustainable operations on the government estate, however, who needs to demonstrate leadership on sustainable development. This engagement is important not only in relation to departments' efforts to meet the targets laid out in the SOGE Framework, but is also crucial in ensuring that the operational impacts of government remain closely linked with the policy agenda. Andrew Lee told us that this is “an area that needs very strong linkage that is not being linked at the moment as well as it should be”.⁶⁰ He also told us that the governance that existed in terms of policy on sustainable development was less clear than that which existed on sustainable operations;

58 Environmental Audit Committee, Eighth Special Report of Session 2007–08, *Making Government Operations More Sustainable: Government Response to the Committee's Seventh Report of Session 2007-08*, HC 1126, para 23

59 Q 29

60 Q 18

he said that the two needed to be coupled together “at the highest level” and that there needed to be greater clarity about accountability.⁶¹

53. We asked the SDC for their assessment of ministerial involvement with sustainable operations. Andrew Lee, Director, told us that:

There needs to be much clearer ministerial engagement in this agenda, particularly for example with the sustainable development ministers working across government departments.⁶²

He said that bringing the sustainable development ministers together with “a real, substantive agenda” could make a real difference in building some “championing at ministerial level across departments of what could be achieved”.⁶³

54. It is at ministerial level that the link between policy and operations is forged. We urge sustainable development ministers to work more closely together to ensure that there is a coherent and co-ordinated approach to sustainable development across government. The Government must lead by example by putting sustainable development at the heart of a consistent and effective approach to both policy and operations.

61 Q 28

62 Q 18

63 Q 30

6 Conclusion

55. If the Government is committed to sustainable development, it must set itself tough and stretching targets that match the high level of ambition of its own policies on sustainable development and climate change. Evidence of performance against these targets must be provided in the form of robust, verified data. But setting targets is not enough: the Government must take radical action to ensure that all government operations are making real progress towards sustainability. It must develop a more coherent investment strategy, based on an analysis of present and future costs, in order to enable it to spend to save.

56. To achieve this, the Minister responsible must show strong leadership and take an active role in performance management. There must be clear lines of accountability so that underperformance can be managed effectively. It must be clear who should be held to account if performance in the 2008–09 reporting year is poor. But we also need to know that that person has had not just responsibility for sustainable operations, but also the means to make real changes happen.

Conclusions and recommendations

Data quality

1. The quality of data reported by government departments for the Sustainable Development in Government Assessment has improved substantially in recent years. Further improvement requires a formal process of audit and verification. We recommend that the Government undertake an assessment of the cost and feasibility of implementing a system of external verification of the data submitted by departments. (Paragraph 6)

Sustainable Development in Government Assessment 2007–08

SOGE Targets

2. The Sustainable Development Commission has awarded Government four stars (out of a possible five) in its rating of pan-government performance against the Sustainable Operations on the Government Estate targets; this represents an improvement of one star compared to the 2006–07 reporting period. We welcome the progress that government has made against its SOGE targets in a number of key areas, including waste, water consumption and emissions from road travel. Performance against a number of important targets has, however, been poor. The Government must ensure that in the 2008–09 reporting year it is on track to meet all of its SOGE targets. Where the Government is meeting its targets, it must not be complacent; if progress against a given target is slowing, it must offer an explanation. (Paragraph 9)

Mandated mechanisms

3. It is completely unacceptable that central government departments are failing to comply with mandatory requirements. A marked improvement in the Government's performance against its targets for the use of mandated mechanisms in the 2008–09 reporting year is needed. (Paragraph 11)

Sustainable procurement

4. The Government is in a position to exert a powerful influence on its own suppliers and on the wider economy. Recognition of this potential must result in a serious commitment to sustainable procurement and decisive, radical action to ensure that the Government meets and, where possible, exceeds its own targets on procurement. The creation of the Centre for Expertise in Sustainable Procurement is a step in the right direction; we hope to see solid evidence of its effectiveness in the data reported during 2008–09. In particular, we expect to see a significant increase in the number of departments including clauses for Quick Wins or extended mandatory product standards in all relevant contracts. (Paragraph 13)

Meeting the targets

Delivery plans

5. We are unconvinced by the claim that the Government is on track to exceed its 2010–11 target for the reduction of carbon emissions from offices. It is not sufficient for it to base its projections on unverified figures; delivery plans are meaningless if they are not supported by evidence. We recommend that, in the next iteration of its Delivery Plan, the Government set out in detail the means by which it intends to meet this target and define what it means by “carbon management”. (Paragraph 18)
6. We welcome the Government’s commitment to revise and update its Delivery Plan on a quarterly basis, and expect future versions of the plan to be based on robust and verified data. Every department must produce a credible, evidence-based plan of how it will make progress against all of the SOGE targets. The plans must make clear how this activity is resourced. (Paragraph 20)

Finance and investment

7. It is not sufficient for cost/benefit analyses to draw on current energy costs in calculating the savings that might result from investment in measures to reduce carbon emissions. The Government must assess precisely the future cost of not making significant investment to reduce carbon emissions now. Without such an assessment, it is impossible for government departments to compare accurately the costs of options available to them. If the Government itself is unable to accurately forecast the cost of compliance with its own policies, it is difficult to understand how those in the wider public sector and in the private sector can be expected to do so. (Paragraph 24)
8. Investment based on the best available information is crucial to the delivery of any programme that aims to deliver sustainable operations. Many of the changes needed to meet and exceed the SOGE targets require an initial outlay that is greater than the “business as usual” alternative. Such increased up-front costs are in many cases more than compensated for by the savings that can be realised in the longer-term. If the Government is to succeed in convincing the wider world of this, it must be prepared not only to make the necessary investment in sustainable operations, but also to make the case for sustainability by publishing clear calculations of the costs and benefits it entails. (Paragraph 26)

Carbon Reduction Commitment

9. The update to the Government’s Delivery Plan, to be published in summer 2009, must contain a detailed explanation of how departments will participate in the Carbon Reduction Commitment, and of how this participation will interact with the SOGE Framework. It must also explain how the Government intends to minimise the risk of large transfers of public money to the private sector as a result of poor performance by government departments. We also expect it to contain an assessment of the possible financial implications, both for central government and for the wider public sector, of participation in the scheme. (Paragraph 30)

Reviewing the targets

Targets

10. A revised SOGE Framework must provide targets that are challenging enough to achieve the scale of change required to deliver sustainable operations. They should reflect the level of the Government's own ambition on sustainable development and climate change. The revision of the framework must also address incoherencies in the current system, and must produce targets that work together to drive progress towards sustainable operations. (Paragraph 34)

Coverage

11. The SOGE Framework must aim to cover the environmental impacts of all government business. Targets for sustainable operations must be applied as widely as possible, and the reporting of performance against them must be made mandatory. It is not necessary for uniform targets to be applied across the board; they may be tailored where appropriate. We urge the Government to set out a detailed timetable for the extension of the scope of the SOGE Framework and to develop suitable mechanisms for the monitoring of performance against the targets. We also recommend that the Government assess the costs and benefits of extending the Framework. (Paragraph 36)

Credits and offsetting

12. Offsetting is not a substitute for action to reduce emissions; all other options must be exhausted before offsetting is considered. The Government must show clearly how the Government Carbon Offsetting Fund (GCOF) is being used and must provide assurance that options for reducing emissions have priority. The use of GCOF must be transitional and departmental delivery plans should show how emissions that are currently offset will be reduced in future. The Government should publish its estimates of the amount to be spent on offsetting each year and the Chief Sustainability Officer should assess whether this spending constitutes value for money. (Paragraph 40)

Governance and accountability

Variations in departmental performance

13. It is perhaps inevitable that there should be variations in departmental performance against the SOGE targets, but the scale of variation recorded is evidence that something is wrong. It is vital that the Centre of Expertise in Sustainable Procurement, overseen by the Sustainable Procurement and Operations Board, provides centralised co-ordination to ensure that all departments are maximising their capacity to meet their SOGE targets. We urge the Government to continue to work with the Sustainable Development Commission to improve the ways in which best practice is shared between departments. (Paragraph 43)

Executive Agencies

14. We deplore the continuing failure of a significant portion of Executive Agencies to report their performance against their Sustainable Operations on the Government Estate targets. The ability of the Centre of Expertise in Sustainable Procurement to ensure that Executive Agencies report their performance will be an important test of the effectiveness of the recent changes made to governance arrangements. We see no reason why all Executive Agencies should not report their performance against the SOGE targets for the 2008–09 period. We will be pursuing any compliance failure with the relevant Chief Executive directly. (Paragraph 45)

Changes to governance structures

15. The inclusion of sustainability goals in the personal objectives of permanent secretaries was an important gesture. But it seems to have remained no more than a gesture. There is little evidence to suggest that this has had any effect on departments' efforts to achieve sustainability. We intend to examine the performance of permanent secretaries who do not meet their targets in 2008–09, and invite them to explain their performance to us. (Paragraph 49)

Ministerial responsibility

16. A meaningful commitment to the sustainability of government operations must come from the highest level. If the question of sustainable operations is to carry real weight within government, it is vital that the Minister responsible shows active leadership. We expect to see solid evidence of the Minister's commitment to this agenda when we next inquire into this subject. We recommend that the Minister responsible for this agenda should take a more active role in the oversight of performance management by the Sustainable Procurement and Operations Board. (Paragraph 51)
17. It is at ministerial level that the link between policy and operations is forged. We urge sustainable development ministers to work more closely together to ensure that there is a coherent and co-ordinated approach to sustainable development across government. The Government must lead by example by putting sustainable development at the heart of a consistent and effective approach to both policy and operations. (Paragraph 54)

Conclusion

18. If the Government is committed to sustainable development, it must set itself tough and stretching targets that match the high level of ambition of its own policies on sustainable development and climate change. Evidence of performance against these targets must be provided in the form of robust, verified data. But setting targets is not enough: the Government must take radical action to ensure that all government operations are making real progress towards sustainability. It must develop a more coherent investment strategy, based on an analysis of present and future costs, in order to enable it to spend to save. (Paragraph 55)

19. To achieve this, the Minister responsible must show strong leadership and take an active role in performance management. There must be clear lines of accountability so that underperformance can be managed effectively. It must be clear who should be held to account if performance in the 2008–09 reporting year is poor. But we also need to know that that person has had not just responsibility for sustainable operations, but also the means to make real changes happen. (Paragraph 56)

Formal Minutes

Tuesday 14 July 2009

Members present:

Mr Tim Yeo, in the Chair

Mr Martin Caton

Colin Challen

Mr David Chaytor

Dr Desmond Turner

Joan Walley

Draft Report (*Greening Government*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 56 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Written evidence, reported and ordered to be published on 5 May, was ordered to be reported to the House for printing with the Report.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 13 October at 10.00am

Witnesses

Tuesday 5 May 2009

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Mr Andrew Lee , Director, Mr Minas Jacob , Team Leader, Watchdog, and Mr Farooq Ullah , Policy Analyst, Strategic Assessment, Sustainable Development Commission	Ev 1
Mr William Jordan , Chief Sustainability and Operating Officer, Office of Government Commerce; Mr Bill Stow , Director General, Strategy and Evidence Group, Department of Environment, Food and Rural Affairs; and Mr Trevor Hutchings , Head of Low Carbon Economy Division, Department of Energy and Climate Change	Ev 17

List of written evidence

1	Sustainable Development Commission (SDC)	Ev 9
2	Cabinet Office, Department for Environment, Food and Rural Affairs (Defra), Department of Energy and Climate Change (DECC) and Office of Government Commerce (OGC)	Ev 11
3	Office of Government Commerce (OGC), Cabinet Office and Department of Energy and Climate Change (DECC)	Ev 25
4	Association for the Conservation of Energy (ACE)	Ev 28
5	NG Bailey	Ev 31
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9	Boris Johnson, Mayor of London	Ev 42
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14	WWF-UK	Ev 55

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2008–09

First Report	Work of the Committee in 2007–08	HC 108
Second Report	Environmental Labelling	HC 243 (HC 861)
Third Report	Pre-Budget Report 2008: Green fiscal policy in a recession	HC 102 (HC 563)
Fourth Report	Reducing CO ₂ and other emissions from shipping	HC 528
Fifth Report	Reducing greenhouse gas emissions from deforestation: No hope without forests	HC 30

Session 2007–08

First Report	Are biofuels sustainable?	HC 76-I & -II (HC 528)
Second Report	Reducing Carbon Emissions from UK Business: The Role of the Climate Change Levy and Agreements	HC 354 (HC 590)
Third Report	The 2007 Pre-Budget Report and Comprehensive Spending Review: An environmental analysis	HC 149-I & -II (HC 591)
Fourth Report	Are Biofuels Sustainable? The Government Response	HC 528 (HC 644)
Fifth Report	Personal Carbon Trading	HC 565 (HC 1125)
Sixth Report	Reaching an international agreement on climate change	HC 355 (HC 1055)
Seventh Report	Making Government operations more sustainable: A progress report	HC 529 (HC1126)
Eighth Report	Climate change and local, regional and devolved government	HC 225 (HC 1189)
Ninth Report	Carbon capture and storage	HC 654
Tenth Report	Vehicle Excise Duty	HC 907 (HC 72)
Eleventh Report	The Exports Credit Guarantee Department and Sustainable Development	HC 929 (HC 283)
Twelfth Report	Greener homes for the future? An environmental analysis of the Government's house-building plans	HC 566 (Cm7615)
Thirteenth Report	Halting biodiversity loss	HC 743 (HC 239)

Session 2006–07

First Report	The UN Millennium Ecosystem Assessment	HC 77 (HC 848)
Second Report	The EU Emissions Trading Scheme: Lessons for the Future	HC 70 (HC 1072)
Third Report	Regulatory Impact Assessments and Policy Appraisal	HC 353 (HC 849)

Fourth Report	Pre-Budget 2006 and the Stern Review	HC 227 (HC 739)
Fifth Report	Trade, Development and Environment: The Role of FCO	HC 289 (HC 1046)
Sixth Report	Voluntary Carbon Offset Market	HC 331 (HC 418)
Seventh Report	Beyond Stern: From the Climate Change Programme Review to the Draft Climate Change Bill	HC 460 (HC 1110)
Eighth Report	Emissions Trading: Government Response to the Committee's Second Report of Session 2006–07 on the EU ETS	HC 1072
Ninth Report	The Structure of Government and the challenge of climate change	HC 740 (HC 276)

Session 2005–06

First Report	Greening Government: the 2004 Sustainable Development in Government Report	HC 698
Second Report	Sustainable Timber	HC 607 (HC 1078)
Third Report	Sustainable Procurement: the Way Forward	HC 740
Fourth Report	Pre-Budget 2005: Tax, economic analysis, and climate change	HC 882 (HC 195)
Fifth Report	Sustainable Housing: A follow-up report	HC 779
Sixth Report	Keeping the lights on: Nuclear, Renewables, and Climate Change	HC 584 (HC 196)
Seventh Report	Sustainable Development Reporting by Government Departments	HC 1322 (HC 1681)
Eighth Report	Proposals for a draft Marine Bill	HC 1323 (HC 1682)
Ninth Report	Reducing Carbon Emissions from Transport	HC 981
Tenth Report	Trade, Development and Environment: The Role of DFID	HC 1014 (HC 197)
Eleventh Report	Outflanked: The World Trade Organisation, International Trade and Sustainable Development	HC 1455 (HC 354)
Twelfth Report	Transport Emissions: Government Response to the Committee's Ninth Report of Session 2005–06 on Reducing Carbon Emissions from Transport	HC 1718

Oral evidence

Taken before the Environmental Audit Committee on Tuesday 5 May 2009

Members present

Mr Tim Yeo, in the Chair

Colin Challen
Martin Horwood
Mark Lazarowicz

Jo Swinson
Joan Walley

Witnesses: **Mr Andrew Lee**, Director, **Mr Minas Jacob**, Team Leader, Watchdog, and **Mr Farooq Ullah**, Policy Analyst, Strategic Assessment, Sustainable Development Commission, gave evidence.

Q1 Chairman: Good morning and welcome to the Committee. Thank you for coming. I am expecting one or two colleagues to join us presently but I will kick off. Can I start with a general question: what is your assessment of the progress that the Government has made since the Commission's report last year?

Mr Lee: Good morning everybody. I am Andrew Lee from the SDC. I think our assessment overall, as you will have seen from the report, is that things have improved. I would like to put a little bit of logic behind that. There definitely have been significant improvements in some areas of government performance, so some of the areas we have highlighted—emissions from road vehicles, for example, water consumption and the amount of waste produced by government—are areas where there has been very, very clear improvement, but, as you know very well, the picture is extremely complex and if you look right across government departments and if you look at all of these different issues, it is a very mixed picture. If you look at carbon, for example, where clearly everybody does focus, if you take out Ministry of Defence emissions, you find that the overall CO₂ emissions from the government estate are still going up. They have gone up by 5% since the baseline year, so there is still a huge amount to do. Of course the progress that I am talking about is against government baselines and government targets, which in some cases are not going to be challenging enough in the future if you think about what we are trying to do overall in terms of society and policy, for instance the 80% CO₂ reduction by 2050. There will need to be a step change in the way the government estate and the public sector manages both its direct operations and all the way through the supply chain in terms of procurement as well.

Q2 Chairman: That sounds like a reasonable assessment. There is an improvement of one star in the performance star rating; what does that actually mean?

Mr Lee: It really relates to those things that I have mentioned already where there has been significant improvement and also to the fact that for instance

some of the other measures, the things we look at in our report, have changed as well. For example, in procurement we are seeing more use of the quick wins, more use of the flexible framework, the tools to do procurement effectively. We are seeing more coverage. We have coverage of 80% of the executive agencies in government, for example, but still only very, very few of the NDPBs, so the one star relates to specific, measurable improvements in some of those sectors and in the use of measures and in terms of the coverage as well.

Q3 Chairman: Why do you think in some areas they have made some progress and other areas scarcely any progress at all?

Mr Jacob: I think we need to bear in mind that the assessment is against baseline, so basically if some departments had a very low starting point they would show greater improvement than those with a higher starting point. The does not necessarily mean that they are actually performing better on all aspects of sustainability. Departments also vary enormously in nature, are hugely complicated, and very often can be like comparing apples with bananas (if you compare for example the Ministry of Defence with Defra).

Mr Ullah: There is also an issue of data quality. Last year we underwent a very full and robust process of examination of the baselines that we actually had. Over 40 cases were submitted to us and this meant that with the new data that we were given around new baselines there was far greater quality of data, for example on the road transport target, which went from a red light to a green light. This indicates that we have a much truer picture of performance now, than we did last year.

Q4 Colin Challen: The subtitle of your report is "Challenges for Government". What have you identified as the key challenges that government faces in terms of its operational sustainability?

Mr Lee: As I mentioned a moment ago, there is a long way to go with this. I think the challenge essentially is for government and for the public sector to start looking at the entire impacts of its operations all the way through to the supply chain, using techniques like carbon footprinting. There are two reasons we say that. One is that we want to see

government and the public sector make a very substantive contribution to the overall policy objectives that we have set for society in areas like climate change. The other reason is, if we do not have a clear view of where the impacts are right out through the supply chain it would be very easy for departments to see something as an initiative that looks easy to do but is not necessarily the most material part of the impact. We have set out seven challenges in the report including the use of some sort of footprinting analysis to look at the full range of impacts and moving out into the whole of the public sector and moving out into the supply chain. All of these things are going to be essential in terms of future challenges and in terms of making sure that the efforts that are put in are put in in the areas that are going to deliver the maximum benefits for the resources invested.

Q5 Colin Challen: Just following on from that, looking at the impacts of the Climate Change Act, do you think that government or departments are actually fully aware of what in terms of carbon emissions the Act means for them?

Mr Lee: Absolutely not, and this is one of the other issues that we have raised. If you look for example at carbon budgets and also at the Carbon Reduction Commitment, there is a potentially big reputational and financial risk for government in this because this new regime will require a step change in carbon management, and what we fear and what we do not want to happen, which is why we are advising and working with many government department to try and stop this happening, is that government will be left behind by parts of the private sector for instance that have geared up in terms of carbon management that are preparing for the Carbon Reduction Commitment properly. Progress against existing CO₂ targets is one thing but progress to prepare for the future regime in terms of CRC and in terms of carbon budgets is going to require a real change in attitude, I think.

Q6 Colin Challen: This year you chose to publish the SDiG data separately from your report. Why did you make that decision and have you had any feedback from departments on their experiences with this process?

Mr Jacob: This data actually belongs to government, it is government's data, and we are working closely with government, particularly the OGC and the Centre of Expertise in Sustainable Procurement, to pass data collection and initial reporting back to government where it belongs. For the previous couple of years we had our in-depth analysis and our data reporting together but that led to delays in publishing the report and it was pretty much out of step with when the data was actually collected, so we thought as soon as we put the data in let us get that out there and then our more in-depth analysis can follow. We are moving towards quarterly reporting so the once-a-year impact will be lost.

Q7 Colin Challen: You were calling for the external verification of data before it is signed off within departments. Do you have concerns about data quality?

Mr Ullah: We do have continuing concerns about data quality. As I mentioned, it is greatly improved but there are indications that quality in some areas is probably still not as good as we would like. For example, on travel some of our other work has identified that the travel data may not be as robust as we would like. One of the recommendations is still that there should be external verification carried out on all the data before it is published.

Q8 Colin Challen: Travel is one of those areas which you report as having improved. Does that data quality question the overall trend in the travel carbon emissions improvement or is that reliable enough to show that that trend is taking place?

Mr Ullah: I think that further examination of the data is required and, yes, external verification would provide that certainty and the assurance that is necessary to make sound judgments in the future.

Q9 Colin Challen: Is that particularly in travel or does it apply to office emissions and other things too?

Mr Ullah: I would say that the energy from buildings data is much more robust. It has been collected by the Building Research Establishment for nearly 20 years and that is a much better established process with better management information systems backing it up.

Q10 Colin Challen: In terms of the verification of data is the SDC itself in a position to do that?

Mr Ullah: I doubt it. I think that this needs to be done by government or by a third party contract mechanism.

Q11 Colin Challen: It should be a third party route, should it not?

Mr Ullah: I think so, yes.

Q12 Colin Challen: People should not be allowed to report on themselves?

Mr Ullah: No, they should not, and nor is it the SDC's job to verify the data itself. Our job is to assess government's performance based on the data that we are given.

Q13 Martin Horwood: Moving on from the quality of the data to the actual information that it gives, as the Chairman said, there is maybe an overall improvement but that hides what I would call a multitude of sins really. On things like road travel for instance, we have the Treasury reducing emissions by 41%. I am thinking there must be a banking joke in there somewhere! The worst-performing department, the Department for Children, Schools and Families, has got an increase in emissions from road vehicles of 16%. Can you tell me a little bit about which specific areas you are most concerned by within the data?

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Mr Lee: Perhaps I could start by saying that you used the phrase “multitude of sins”; there is a multitude of good practice as well. To be fair, the picture is very rich and very complex, so we have some outstanding performance in some parts of government on things like energy management, reducing travel, reducing waste arisings, recycling of equipment, so there is some very, very good practice there but there is hugely variable performance. But, as you say, with some of these areas the performance of a specific department has actually got worse. One of the key issues for us is how to improve the consistency across departments so that everybody is performing as well as the best. There are a number of issues behind that. We have looked in detail in some areas like travel and also in terms of energy (working with the Department of Energy and Climate Change) at why these things are happening in some places and why they are not happening in others, how much is to do with leadership, how much is to do with resources, how much is to do with people understanding that it is part of their objectives, how sustainable development teams inside departments are working, the extent to which they are a mainstream part of the department or seen as a little bit of a side add-on. There are a lot of issues behind why some departments are performing better than others on different things.

Mr Jacob: For the past couple of years we have called for a pan-government strategy on travel. We still do not have a pan-government policy or strategy on travel. Each department basically does its own thing. We believe that there are enormous opportunities for collaboration in driving down the impacts from travel, not just civil servants’ business travel but also the associated travel with commuter travel, staff travel and the travel of customers and the public who actually take up services and to look at all of that together as a whole.

Q14 Martin Horwood: You took over Sustainable Government in Government reporting from 2005. Do you have any responsibility for perhaps not having shared best practice between government departments as effectively as you should have done or is it really all down to them not sharing best practice?

Mr Jacob: Could you clarify?

Q15 Martin Horwood: Is it down to them to share best practice or should you be doing more to facilitate that? Do you think that is part of your role or your remit?

Mr Jacob: We take a very active role in sharing our views with government departments. We work very closely with government departments, particularly Defra and CESP. I could not list here the number of meetings and briefings and advice that we give. There are literally thousands of hours from the SDC. We have been leading a project called Steps which looks at sustainable travel across the wider public sector, with central government leading by example. CESP have partly funded that project so I believe we are at the forefront of pioneering new approaches and developing government thinking.

Q16 Martin Horwood: If we take another specific example, renewables, we have actually seen a drop in renewable energy generation from 28.3% of energy used in 2006–07 to 22% in these latest reported figures, so quite specifically how would you address, in terms of whether it is leadership or sharing best practice, a trend like that that is clearly going in the wrong direction?

Mr Jacob: We have undertaken a stakeholder survey of all the practitioners out there on the ground to find out why that is the case and what is actually blocking them from taking up more sustainable energy, including on-site renewables. That is the approach that we have taken.

Q17 Martin Horwood: What was the answer?

Mr Jacob: The big issues that have been identified are local leadership, availability of ring-fenced funds for those projects that do not get diverted into the day-to-day business, and skills.

Mr Lee: It is a very good example though. You will see in the report we talked about the potential for micro-wind power generation and photovoltaics on the government estate. We had considerable difficulty trying to get hold of figures that would give us an accurate picture of what the potential is. One of the things that we discussed recently with the Cabinet Secretary is the fact that there needs to be a Treasury-backed analysis (and rapidly now) of what the potential is to equip the government estate with micro-renewables, for two reasons: firstly because of the climate imperative, but, secondly, because of the efficiency issue, and in terms of public spending in a recession creating a more efficient government estate is essential. At the moment those figures do not exist. You cannot look into one place and see here is the technical potential for micro renewables right across the government estate and here is the cost/benefit analysis of how quickly those measures could be put in place, how much energy bills could reduce and what the return on investment period would be. That work needs doing as a matter of urgency.

Q18 Martin Horwood: As well as that kind of micro level analysis, surely this is about, as you said, leadership as well. You used the phrase “local” leadership. Do you mean local to a particular department? Are you talking about ministers or are you talking about senior civil servants or are you talking about DECC as the department which should be driving this? Who should be providing this leadership that is not providing it at the moment?

Mr Lee: I think there needs to be much clearer ministerial engagement in this agenda, particularly for example with the sustainable development ministers working across government departments, and I know that Phil Hunter is keen on those ministers meeting on a regular basis and that this should be part of their agenda. We know that delivery on the targets is now built into the performance objectives for permanent secretaries, but we need to see clear evidence that those conversations are actually taking place in terms of performance management so that mismanaging carbon or water is as serious as mismanaging

expenditure. We also need to see these things cascaded down through departments, so all of those bits of the jigsaw need to be in place. There certainly needs to be a lot more at ministerial level which is the place where you link together the operational impacts of bits of government with the policy agenda, and that is an area, that needs very strong linkage, that is not being linked at the moment as well as it should be.

Q19 Martin Horwood: Should you publish a league table of ministers and permanent secretaries?

Mr Lee: That would be tempting but probably suicidal!

Q20 Joan Walley: On that point can I go back to what you were saying about different government departments. Could you answer a concern that I have because you have got recommendations which relate to government being able to do everything it can across all different departments, but I would be interested in your comments on procurement and whether there is a contradiction and how it can be that we have got Treasury guidelines which relate to PFI objectives in the National Health Service and the extent to which the NHS can meet targets when the way in which it operates and the procurement policies are all defined within the PFI guidelines from the Treasury. In my constituency we have got an example where we have a brand new hospital that has a contract with Sodexo that does not prepare food on site, it brings the food up from hundreds of miles away on a round journey. It seems to me that unless you look at the way in which procurement across government, and not just within the government estate, is sorted out, government is not going to be as successful as we would all like it to be in meeting its sustainable development targets in relation to carbon.

Mr Ullah: I think this goes back to the major theme of the report where there is a strong need for government to understand all the impacts of all aspects of its business, procurement being one part of this. We identified the need for carbon footprinting as the first step in this challenge.

Q21 Joan Walley: But that is not in the PFI arrangements, is it?

Mr Ullah: What I am trying to drive at is that once you begin to have an understanding of the impacts you can identify the barriers that are stopping you from improving the impacts and the way that they operate. In this case, you have already gone ahead and identified that the PFI contract is—

Q22 Joan Walley: — I personally have not.

Mr Ullah: — Well, someone has and getting to grips with this means talking about the Treasury, and we are finding that the linkages and relationships that Andrew mentioned are far more complicated than even we ourselves thought and that there is a real need now for government to start working together in government departments and with different parts of the organisation itself to think about these issues holistically, for example, in seeing that the Treasury,

being the lead department on issues like procurement, is helping departments and not hindering them in reducing their own impacts.

Q23 Joan Walley: I do not see where that work is being done because the Treasury models that are being used do not seem to be linked to the long-term buy-in and lock-in in respect of PFI contracts which are for 20 years down the line.

Mr Ullah: I suppose the point is that the first step is to identify with really robust evidence that this is an issue and this is an area where if a barrier were removed a significant improvement towards sustainable development could be achieved.

Q24 Joan Walley: But it is too late now, is it not?

Mr Ullah: Is it too late? We could still do the carbon footprint to show that for example the NHS incorporates a lot of food miles.

Mr Lee: There are a couple of things in hand which are very relevant to what you are saying. The first is the review of the Treasury rules, the Green Book, in terms of infrastructure investment. That is on-going and we are contributing to that through working with the Government Economic Service. The second thing is to look at what has already been achieved in the NHS. We have been working now for a number of years on good corporate citizenship in the NHS, so we could point you to examples of NHS trusts who have got this right either in terms of building management or for example in food procurement and travel, both for employees and for patients to hospital. Again, as we were saying earlier, there are examples of very good practice here but they need to be much more widely known and widely used, but also the rules need to be looked at as well, I totally agree with that. We looked at the carbon footprint of the NHS in some detail. 22% of that footprint is not buildings, it is pharmaceuticals, so there are huge areas of potential gains to make in terms of procurement of supply chains, food, travel, pharmaceuticals, all of these things, as well as the fabric of the building itself and the way that it is managed, so there are some examples that we could point you to that might actually help in this area.

Q25 Chairman: On the leadership point, obviously it is important for greater engagement by ministers and permanent secretaries. Is it not also the case though that if you have a really committed manager a bit further down the chain, they can make quite an impact locally with initiatives? Is not part of the issue about highlighting what they are doing? In local government, Woking was always cited as the prime example of moving quickly into sustainable energy in a way in which other local authorities could do which did not require any person at the top to do it and the opportunity there was open. Is it your experience that similar examples exist in central government departments?

Mr Lee: Very much they do. Would you like to give some examples?

Mr Jacob: Yes, our experience is that improvement is often led by a few very wilful, passionate individuals banging away at the drum, making

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things happen, not necessarily from the top. What we are saying is that it should also be led and supported from the top.

Mr Ullah: I think the progress made to date that we have identified is the best example of this type of leadership where practitioners have worked extremely hard over the last two years to get to this point and they deserve a lot of credit. The mere fact that we are talking about larger policy issues instead of performance and data issues is a very clear indication of that fact. What now needs to happen is that these issues which we identified in this report, that are probably going a bit beyond the control of these local managers, now also require some senior leadership and support in order to tackle the challenges that we have highlighted.

Q26 Jo Swinson: It is interesting what you say about the leadership in certain areas being very good, but obviously to move beyond piecemeal improvements where you have just got a very passionate individual, there needs to be an overall structure that works with this. You are quite critical in your report of the current governance structures, especially with the creation of the Centre for Excellence in Sustainable Procurement, and you argue that there is increased confusion in roles and responsibilities. There have obviously been changes that you think have been confusing. What changes would you like to see in governance structures?

Mr Jacob: We have got SD ministers; we would like to see them meeting more regularly with an ambitious agenda, ideally with the SDC as government's formally appointed advisers and scrutineers of SD at the heart of that so that we can challenge and discuss the issues and the priorities as we see them. We would also like to see greater monitoring of the role of permanent secretaries and how that is actually cascaded down through their departments to all the key players, all the movers and shakers who actually make things happen in those departments. I do not think we have got all the answers here but we would like a very rapid review of the current governance arrangements and whether they actually support urgent delivery of what is a very urgent agenda.

Q27 Jo Swinson: You mentioned the monitoring of the permanent secretaries' personal objectives. Have you seen that them having those personal objectives has provided any evidence of changes in those departments or are you fairly sceptical of what that has managed to deliver so far?

Mr Jacob: I have not seen any evidence that that has made a difference. It is good to see that at least they have them now after three or four years of us requesting them, but we have not actually seen what difference that has made.

Q28 Jo Swinson: What kind of monitoring would you like? Is that monitoring back to yourselves and you getting some kind of a report on it? How would you envisage that monitoring working?

Mr Lee: I would start from this issue about policy and operations because we all know that although it is extremely important to know how much energy the offices of the Department for International Development use, it is rather more important to know how it is pursuing its international development policy, and the same with the FCO and so on. Getting that linkage at the highest level between policy and operations at ministerial and permanent secretary level is essential and then looking at the governance structures below that. Having CESP is excellent, by the way, I want to be unequivocal about that, we think it is a very good thing and it is one of the reasons for the extra star this year, so we are not being mealy-mouthed about that. However, what it does is throw into sharp relief the rather less clear governance in terms of policy on sustainable development, compared with that on operations, so those two do need to be coupled together and there needs to be some accountability. Yes, from my point of view I would like to see the SDC have a very clear role in that because we have found that where we do work with departments in quite a quick-fire, high-level diagnostic sort of way (we have just done this with DIUS, for example, to great effect) it is successful in terms of the department understanding what changes it could be making on the policy side as well as the operations side. We find that is a very useful way in by getting that clear linkage between policy and operations, getting the ministers talking about it and being held to account on it, getting the permanent secretaries talking about it and being held to account on it, and making use of what we can offer in terms of the SDC. We spend a lot of time, as my colleagues said, working with departments on this stuff. We are not just sitting here shining a light on it; we are trying to help make it work.

Q29 Jo Swinson: On ministerial engagement, you have mentioned SD ministers but there is also overall responsibility for this agenda which has been given to the Minister for Transformational Government. Has that made a difference? Has that been successful?

Mr Lee: It is not crystal clear, I would say.

Mr Ullah: I think the SDC would like to know exactly what the role of that Minister is and have it very well spelt out. To date we have not really seen a lot of presence of the Minister in this work and I think that could be stepped up as well. This is one clear example of this high-level leadership we have talked about where the minister now really does need to show his presence and lead by example as well as giving that motivation.

Q30 Jo Swinson: Do you think that there is a danger sometimes that for an SD minister in a given department it is an additional bit of their responsibilities that therefore does not necessarily get taken very seriously?

Mr Lee: It certainly is a danger and I think that is why bringing those ministers together with a real,

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substantive agenda—and I know this is something Defra is keen on—would make a difference. It is trying to build some championing at ministerial level across departments of what could be achieved. Lifting some of the operational stuff out of the nitty-gritty—environmental management systems, procurement and supply chains—is hugely important—ultimately this is about the Government’s reputation and it is about making those departments as effective as they possibly can be both on policy and operations and particularly, if we are talking about leadership in public by government, exhortation to take action on things like climate change, and being able to demonstrate that we are actually doing it is going to be far more powerful than throwing money at advertising on climate change issues. It is showing it by doing it and that is the level at which we need the ministerial conversations to be taking place.

Q31 Jo Swinson: Turning to what is going to happen next then, the OGC Delivery Plan Update says that “Government as a whole is on track to exceed the 2010–11 target for carbon emissions from offices”, so that would be showing that we are doing it, but they were not on track to meet that target in 2007–08 so do you think that assessment is backed up by the evidence?

Mr Jacob: No.

Q32 Jo Swinson: What do you expect to see in next year’s assessment of the Government’s record?

Mr Ullah: I personally would like to see a review of the trajectories that were put in place last summer that show how government and departments will meet the targets. These were done fairly hastily and now there is time to properly consider what the impacts of each one of the initiatives really will be, as well as their budgetary impacts given our current economic climate. The updated Delivery Plan this summer should revolve around a clear understanding of other initiatives like CRC and carbon budgets and how these things will link together and the alignment or misalignment issues that will arise.

Q33 Jo Swinson: The biggest reduction I note from the Delivery Plan of more than 21,000 tonnes of CO₂ is expected to be delivered by carbon management but they are a bit vague on the detail. Do you understand what they mean by that?

Mr Ullah: This is the kind of detail I think that we are looking for as well, a very clear Delivery Plan which spells out exactly what each one of these initiatives will deliver and how they will be delivering it. Behaviour change is another example where it is listed as a reduction in carbon emissions but what that means in the detail is not really obvious.

Mr Lee: Yes, I think having trajectories is good. We understand why CESP was keen to get those trajectories published quickly but the danger is that speed obscures lack of detail. For those trajectories to be robust, and we know this from the examples that we have got in the report, they need to be based on actual milestones of, “We have implemented a

behaviour change campaign in our department”. “We are upgrading some of our infrastructure” etc. Those trajectories need to be linked to tangible, specific initiatives which are going to deliver the changes. We know what a lot of those things are now. They are not magic. There is no mystery about them.

Mr Jacob: Could I just add to that. Even if that were true, so much is missing from the picture I do not think anybody could claim that central government is on track. We have got hundreds of NDPBs missing, we have got some agencies still missing, and we have got all out-sourced operations, even Civil Service-type operations like helplines and IT and that kind of thing as things which are not included. Even if that were true—and we do not have evidence to demonstrate that it is—that would not lead us to the conclusion that central government is in any way on target.

Q34 Martin Horwood: I am going to try and phrase this in a way that will make it okay for you and for them. You have clearly had the opportunity to work with some government departments quite closely and you feel that you have made quite good progress in getting the kind of ministerial engagement that you are looking for. Can I ask you if there are any other departments where you think there is an unexploited opportunity to take things forward in that kind of way?

Mr Lee: Of course there is. I would say that you need to look at where the substantive impacts are, so on operational impacts we have listed MoD as the biggest of course, where there is a lot of work going on, and we have listed the other three top departments like DWP, for example. There are some departments—and I mentioned DfID earlier quite deliberately—where we really have not got into the issues properly yet either in terms of the full operational impact or the links between operations and policy, so there is definitely a list of departments.

Q35 Martin Horwood: Are there any other departments apart from DfID?

Mr Lee: Treasury in terms of policy, of course. The operational impact of the Treasury is not the key issue in terms of sustainable development, and the work that we are doing there now is on two fronts, one is with the Government Economic Service more broadly and one is specifically with the Treasury itself, starting to look at what kind of skills and knowledge Treasury civil servants have in terms of sustainable development to start to take a look at how you could take those issues into economic policy development as well as into operations. Those would be two examples; there are more of course.

Q36 Joan Walley: Following on from that, can I ask if there is any work currently being done in respect of the implications of the Trident programme in terms of what you just said about the Ministry of Defence?

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Mr Lee: Not by us, not specifically, no.

Q37 Joan Walley: So who would that be done by?

Mr Lee: In terms of?

Q38 Joan Walley: In terms of assessing the carbon footprint aspects of it in respect of carbon budgets and so on?

Mr Lee: I do not know who would do that, frankly. It is not being done.

Q39 Colin Challen: Is there any evidence that government departments are seeking to exceed the inappropriately named SOGE targets or do they just concentrate on trying to achieve those maybe at the cost of wider sustainable development issues?

Mr Lee: I think my take on that would be no. I think, to be fair, in some areas government departments have gone well beyond the targets, so the progress for instance on waste, waste arisings and recycling, and the progress on energy efficiency, has been beyond those targets, and the improvements in water use that we have seen are taking us very rapidly to those targets. I think the question now is it is all relative, is it not? You set a baseline year; that depends where your department started from, so those who started with better operational management than others, in effect, are penalised later on if they have to make other improvements. It is all relative and what we are really interested in are absolute impacts. That is why the review of the Government's SOGE targets needs to look at the degree of challenge and ambition. My colleagues mentioned the need to reach out into the supply chain and to get broader coverage of bits of governments and agencies and so on, but it also needs to look at the scale of ambition of some of those targets. Some are being reached quite easily which suggests that they are not challenging enough, certainly.

Q40 Colin Challen: That review started two years ago after your 2006–07 SDiG report. How much longer will it take? Does it need to be completed and is it one of these permanent revolutions that we see in government? What should it aim to achieve? I was taken by that figure you mentioned in terms of the office carbon emissions that they had overall gone up by 5% if you strip out the MoD element. You would have thought by now we would have dealt with the low-hanging fruit, so if they have still gone up, as you proceed, the challenge becomes that much bigger, so that does not seem to me to offer a great deal of optimism.

Mr Jacob: In terms of the review of the SOGE framework, if the Government was very serious about sustainable development it would, with immediate effect, extend that framework to its suppliers, in some way, kicking off with carbon. In a way, it is wrong to talk about “through the supply chain”. I prefer to talk about government understanding government's business. If you look at it that way it leads to a very different way of thinking and it gives government departments the opportunity to be more holistic and more flexible in

how they actually manage their own business, possibly allowing some areas to increase their impacts in the short term for the greater gain in the longer term, so, for example, increasing the use of information communication technology and on-site energy which in those areas goes up but if overall it reduces the need to travel and so on, the picture improves in the longer term. For me the SOGE review must lead to an extension in some way of the target to government suppliers so that we can talk about government managing its own business.

Mr Ullah: Can I just add that there are clear time-frames for the SOGE review now. I am sure government will go into more detail as to what those are. They have committed to trying to get this in place for 2010–11, at least to re-baseline for the new framework by then, so they have done well to set themselves a time-frame.

Q41 Colin Challen: Just trying to piece this together, you are saying that these targets and this practice might extend to suppliers perhaps more thoroughly than it does at the moment. That sounds to me as if one way of achieving our targets is to get other people to help us achieve them, which you might say is a good thing. You might also say that it is passing the buck. If they can pin down their suppliers, they can maybe carry on to a certain extent with business as usual internally. Is there any truth in that? We set very high targets for everybody else and then government comes along and says that they are having a hopeless struggle themselves to achieve anything?

Mr Jacob: It is more the other way round: government actually has the opportunity now to pass the buck and move its impact off the radar. As long as it is off the formal government estate at the moment it is not counted so, very simply, all you need to do is outsource something or to create an NDPB that does not report and then it is not covered. What we are asking for is for government to actually understand, report on and improve on its own business.

Q42 Colin Challen: Could you just clarify one thing for me. How big proportionately is the NDPB and other off-balance activity, if you like?

Mr Jacob: I do not have a great memory for these things but I think it is something like 20 NDPBs out of 500, something like that, have reported.

Mr Lee: 6%.

Q43 Colin Challen: On responsibility for carbon emissions I think an NDPB is just as much part of government as anything else, it is paid for by the taxpayer generally. In terms of carbon emissions is it possible to put a figure on the proportion that they are responsible for?

Mr Ullah: Unfortunately, no, because they have never reported so we have no idea of the scale.

Mr Lee: We could probably provide an estimate and it would be substantial, I think.

Q44 Chairman: Do you have concrete examples of where outsourcing appears to have taken place to avoid this?

Mr Ullah: The QinetiQ example from last year's report is still an example of where this has happened and while the re-baselining has been done to ensure that the figures and the reporting are accurate, this is an example of where a massive part of government has gone off to the private sector and is no longer really accounted for by these targets or by the commitments that government is setting itself.

Q45 Colin Challen: It would make sense to extend SOGE to all these NDPBs, would it not?

Mr Ullah: At the moment it is optional to include your NDPBs in the targets for central government departments and executive agencies. We encourage departments to include their NDPBs as extensively as possible but it is basically optional and we have long been saying that these targets should be extended to be mandatory for these NDPBs in a rolling programme.

Mr Jacob: Can I just add that the outsourcing happens left, right and centre, sometimes in very obvious ways and others not so obvious. An example of the latter is printing. In years gone by printing would be done in-house in most government departments. Slowly but surely that has now been outsourced but we are not capturing those impacts.

Q46 Chairman: Yes, right, on carbon neutrality, it looks likely that the Government's targets could only be achieved by the use of offsets. You have commented that you want to see a clear policy on offsets. What is that policy you want to see?

Mr Ullah: Our view is that offsetting will always be a part of an integrated carbon management solution. The issue is to not see offsetting as the end but as an interim part of the solution while further reductions are continuously sought. That is very clear to make the understanding, without any stance on government neutrality, and the Department of Energy and Climate Change is currently undertaking a consultation on defining what carbon neutrality means, and the results of that will be very big to this target and to larger goals of carbon neutrality.

Q47 Chairman: In waste there is a clear hierarchy between reduction, re-use and recycling, et cetera. Is there a similar hierarchy now emerging in terms of how you reduce carbon?

Mr Lee: I think there certainly is. The risk is that offsetting becomes a distraction. Of course offsetting will be part of any attempt to go carbon neutral but you have to start with energy efficiency. There is huge

potential still to do much better on that inside government and the public sector. You then need to look at renewable energy supply. You then need to look at taking as much carbon out of the use of other fossil fuels, for example through combined heat and power, as possible, so there is a clear hierarchy before you get anywhere near the offsetting. Frankly, from a personal point of view, I am not very interested in the offsetting. What I am interested in is how much government and the public sector can reduce the emissions for which it is directly responsible. That is where the balance of the effort needs to go.

Q48 Chairman: That is what ought to happen. Are you saying that is also what is happening or is there some evidence that departments see offsets as a useful way out so they are budgeting now to buy some offsets?

Mr Lee: There is certainly a danger of that and there is certainly clear evidence that there is still, as one of you put it, low-hanging fruit to pluck in terms of things like energy efficiency, in terms of the easier options.

Q49 Chairman: You have also expressed concern that the Carbon Reduction Commitment may lead to the public sector paying money to the private sector. Why do you think that is a risk?

Mr Ullah: In the alignment of the targets with the advent of the CRC there is an issue where the targets end and CRC begins, so government will have to get to this 12.5% reduction but then compete within CRC, and if they do not begin to think about the further carbon reductions they need to meet beyond the SOGE targets, beyond the 2010–11 target, they will be in a position where they will have reached this one point but then not really have the carbon reduction initiatives to hand to compete effectively in CRC. As Mr Challen said, the low-hanging fruit is starting to be picked now so what is the next step, what are the larger things, the big capital expenditures that need to be put in place now to ensure that by 2010–11 when CRC starts government will be able to make good, big carbon reductions?

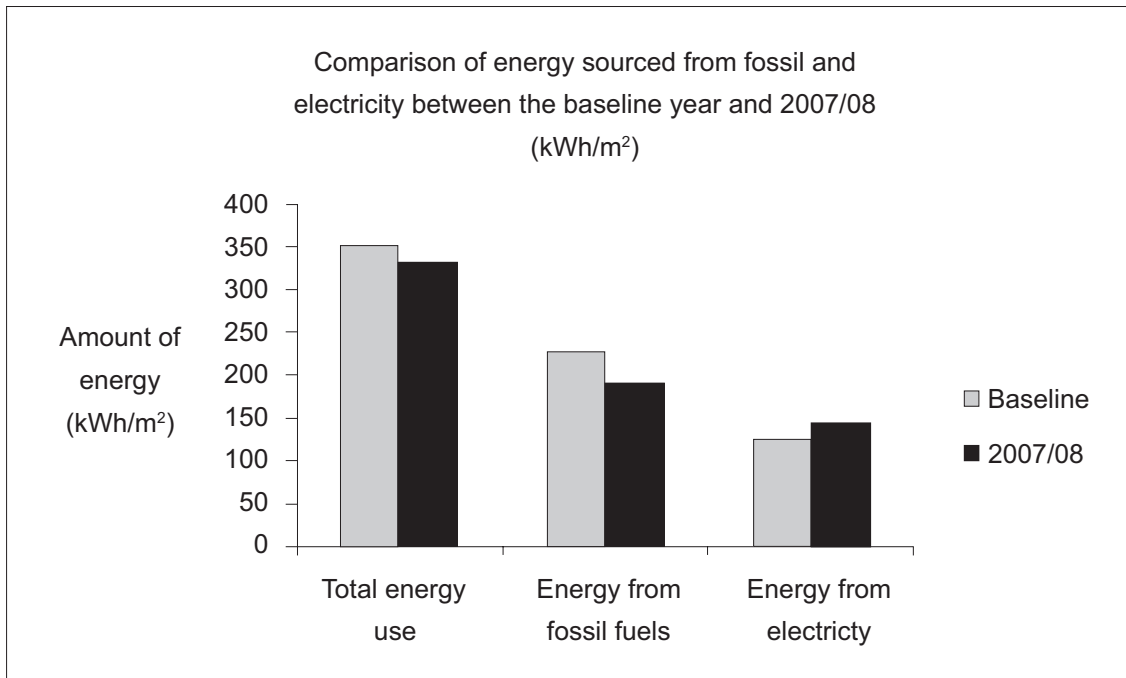
Mr Lee: There is a serious risk that the newspaper headline will be that there is a league table with the private sector at the top and the public sector at the bottom, and that is something nobody wants to see. There really is a wake-up call now in terms of getting this right.

Chairman: I think we have rather overrun the time we allocated. There are a couple more things we might put to you in writing, if we may.¹ Thank you very much for coming in; it has been a very helpful session to have.

¹ See Ev 9

Supplementary memorandum submitted by the Sustainable Development Commission
ISSUE

The general trend across government has been for a reduction in overall energy use per m². This has been driven by a reduction in energy from fossil fuels used for heating; however energy from electricity is increasing (Figure A). This has an impact upon overall carbon emissions as electricity is more carbon intensive than other types of fuel used for heating (eg kerosene or gas). Therefore the increase in electricity consumption increases the proportion of CO₂ emissions per kWh of energy used (eg grid electricity emits about twice as much carbon per kWh as kerosene, and 2.5 times that of natural gas).

Figure A

One of the key drivers of the rise in governmental energy usage may be the proliferation of computers, printers, laptops, chargers, lobby televisions, mobile phones and other Information and Communications Technology (ICT), as well as associated impacts eg air conditioning of server rooms as well as severe levels of waste and the disposal of old ICT (including toxic materials). Government must address the root causes of both the energy consumption rise and its increasing waste to encourage Industry to improve equipment life span, eco-design and energy consumption.

GOVERNMENT'S ICT STRATEGY (SDiG 08 RECOMMENDATION)

Whilst the existing Greening Government ICT Strategy (launched July 2008) represents an encouraging step towards making ICT usage more sustainable, government must consider urgently raising the ambition level of the Strategy as industry momentum has gathered around this Agenda. The Chief Information Officers and Chief Technology Officers have responded well to the first set of targets but they must now be increased. The Strategy itself acknowledges there is a need to work with departments and industry to explore and invest in radical green ICT solutions for the ICT problem,¹ but also consider issues relating to life cycle impact and disposal of old IT hardware. Some solutions could include initiatives such as:

- Extended procurement cycles to a mandatory minimum of four years. Equipment replacement must be carefully evaluated and not judged on electricity usage alone but rather the wider CO₂ output of the production, manufacturing and full lifecycle of the equipment as stated in the Strategy.
- Reduce duplication of equipment per person. For example, cease allowing two computers per staff member.
- Government and outsourced data centres must adhere to the basic principles included in the European Data Centre Code of Conduct to ensure server optimisation, the removal of over-duplication of data, as well as sharing data centres and using appropriate levels of ambient room temperatures in server rooms.

¹ pg. 7, Cabinet Office, Greening Government ICT: Efficient, Sustainable, Responsible, July 2008

- Ensure procurement of equipment at the highest international standards as well as working with supply chains to reduce unnecessary packaging.
- A shared pan-government video conferencing strategy in order to provide value for money on shared equipment and public purse investment.
- Increase the amount of renewable energy sourced for electricity, thereby reducing the carbon emissions produced by the increased electricity consumption due to the proliferation of ICT.

GREEN ICT SCORECARD AND ROADMAP

Government is developing a Green ICT Scorecard to help organizations address their environmental responsibilities while maintaining or improving ICT costs and service levels.

The Green ICT Scorecard is used to collect and compare data across three dimensions—how green issues impact business and customers, how ICT contributes to the corporate policies, and what ICT is doing both directly & indirectly to reduce the carbon footprint of the organisation through energy and waste management efficiencies.

The results of the Green ICT Scorecard make it possible to highlight areas where ICT resources and effort may be redeployed to support the organisation's environmental objectives. It is a method for CIOs to help develop roadmaps and obtain a consistent baseline & measure of improvements over time.

A proposed CIO Roadmap is to be published in July 2009. This is set to announce 18 key actions for departments as well as track progress and the commitment of each organisation against these actions.

The SDC welcomes the initiative and would like to see a clear link between the roadmap and the Strategy to ensure efforts toward improving the sustainability benefits of ICT are maximised.

ICT AND MOBILITY

The use of ICT in transport is a huge subject and covers a much broader scope than purely improving the sustainability of transport. Large numbers of projects have been running over many years. Projects have focused on such things as improving the driver experience; safety; reducing congestion; and making public transport more attractive.

There are six key areas in which ICT can improve the sustainability of transport:

1. *Reduce the demand for travel*—Includes systems for travel avoidance such as video-conferencing and tele-presence systems, net meetings, facilities to enable home or remote working (including work hubs), shopping ordered from and delivered to your home, and even synthetic environments such as “Second Life”.
2. *Influence travel mode choice*—This can be done in a number of ways:
 - Offer advice on the best way to travel by a particular mode—eg walking and cycling route planners, websites with public transport information, advanced ticket purchasing etc.
 - Plan routes and compare alternative modes of travel for a journey—eg www.transportdirect.info—allows users to compare the time taken and environmental impact of different mode choices. <http://www.travelfootprint.org> gives more detail on lifecycle environmental impacts of journeys.
 - Provide updates on traffic conditions, service cancellations or delays—eg Transport for London text updates for London Underground, or Highways Agency's website providing real time and predicted traffic conditions.
3. *Change driver behaviour*—eg speed cameras, SatNav systems that use predicted or real-time congestion information for route planning, pay-as-you-go car insurance emphasising the marginal costs of driving, eco-driving feedback—eg Fiat's eco:drive system which teaches you how to drive more efficiently.
4. *Change vehicle behaviour*—automatic/intelligent speed adaptation, personal rapid transit systems—driverless vehicles, automated vehicle diagnostics to ensure optimum efficiency eg tyre pressure monitoring, engine efficiency monitoring
5. *Increase efficiency of vehicle utilisation*—Liftsharing (www.liftshare.com) to increase vehicle occupancy rates, demand responsive public transport, car clubs, bike rental schemes etc.
6. *Improve network efficiency*—congestion charging/road pricing, parking management, real-time traffic management, (eg phased traffic light systems)

 GLOBAL ACTION PLAN—GREEN ICT RESEARCH

The independent environment charity, Global Action Plan, is currently undertaking a piece of research looking at the role of ICT in the public sector to help combat dangerous climate change.

Their report, which the SDC fed into, is due to be published shortly. The EAC may wish to get in touch with Global Action Plan to establish a useful connection regarding this issue. The main contact is:

3 June 2009

**Memorandum submitted by the Office of Government Commerce, Cabinet Office,
Department for Environment, Food and Rural Affairs (DEFRA) and the
Department of Energy and Climate Change (DECC)**

INTRODUCTION

This is the Government response to the Environmental Audit Committee's Inquiry, *Greening Government*. This response provides a summary of highlights and addresses the 10 specific subjects on which the Committee sought comments on 31 March 2009.

SUMMARY

- Government has made considerable progress towards meeting its targets for Sustainable Operations on the Government Estate (SOGE), as is shown by the December 2008 Sustainable Development in Government (SDiG) data published by the Sustainable Development Commission (SDC).
- Where the government is not on track to hit SOGE targets on the basis of a straight line trajectory of performance, as with the target for Carbon from Offices, the government's Delivery Plan, published last August and updated in December sets out departmental plans to ensure that the Government will meet the 2010–11 targets.
- In some SOGE areas, such as waste, the Government is already exceeding performance, which is where the government would like to be on all target areas.
- The Centre of Expertise in Sustainable Procurement has now completed an exercise to gather evidence on why mandates have not been fully implemented; and will address the issues and barriers we have identified in its forward work programme.
- The Government is also developing a forward vision for sustainable procurement and target measures. This will enable performance on sustainable procurement to be measured and monitored on the same basis as performance on sustainable operations.
- In addition to specific departmental plans and commitments that have been made the Government has set in place a number of centrally lead initiatives such as the Cabinet Office's Greening Government IT strategy delivery and the work of the Centre of Expertise in Sustainable Procurement to build on this progress and ensure that further improvements are identified and made.
- Government recognises that to maintain a position of leadership on sustainable development beyond 2010–11, considerably more must be done. To remain a leader in sustainable procurement and sustainable operations the government will need to revise its targets and commitments for its own operations and procurement to ensure that these continue to reflect wide policy ambitions for the protection of the environment and will need to continue to deliver in full against those new targets.

THE CENTRE OF EXPERTISE IN SUSTAINABLE PROCUREMENT

In its response to the Sustainable Development Commission's (SDC) report on Sustainable Development in Government (SDiG) for 2008, the government promised to establish the post of Chief Sustainability Officer (CSO) and a Centre of Expertise in Sustainable Procurement (CESP), both in OGC, and to publish a Delivery Plan by Summer 2008 to say how the Government would meet its commitments on sustainable operations and sustainable procurement.

1. The Minister responsible for the Centre of Expertise in Sustainable Procurement duly published the first comprehensive Delivery Plan for its work on sustainable procurement and sustainable operations in August 2008. An updated review of performance was published in December 2008. A Chief Sustainability Officer has been appointed in OGC, William Jordan; and the CESP has been established, under the leadership of Fiona Ross.

Sustainable operations

2. The Government's Delivery Plan set out, for the first time, in terms of trajectories and milestones, the plans of all government departments for meeting their targets for sustainable operations on the government estate for reductions in carbon from offices, in carbon from road travel, in water consumption and in waste arising and consumption.

3. The plan was welcomed by the SDC when published, as "the most thorough and robust package produced by Government to date for addressing the impact of its own operations and for inspiring change in the public and private sectors".

4. If government departments succeed in meeting their milestones and if their actions have the impact that they are anticipating, then all the government's SOGE targets will be met, including for reductions in carbon from offices, where current performance is marked "amber" by the SDC's report for sustainable operations in government for 2008.

5. The CSO and CESP have established more robust performance data against SOGE targets. Many amendments were proposed in the Government's response to the SDC last year to the baselines and counting methodologies used in the SDC's 2008 SDIG report. While these amendments, now largely accepted by government departments and the SDC, left aggregate government performance largely unchanged, they give a much truer picture of performance department by department.

6. The CSO and CESP have also promoted a system of quarterly reporting of performance across Whitehall. To manage performance effectively requires regular and recent data. Three departments—HMT, ONS and DWP—are now piloting quarterly reporting of sustainability data to OGC. Other departments will move to quarterly reporting on a phased basis by the end of 2009.

7. CESP is supporting the ongoing dissemination of best practice in both sustainable operations and sustainable procurement for environmental practitioners across Whitehall through work with expert groups such as the Carbon Trust, the Energy Savings Trust and WRAP. It has consulted departments to identify the best practice and guidance that will make the most immediate difference and has now established a programme of activity for 2009–10 to support delivery. This includes: consolidating current guidance into a core set for government practitioners; developing new guidance on embedding sustainability in contract management; supporting departmental capability on staff behaviour change techniques; and promoting best practice case studies.

Sustainable procurement

8. On sustainable procurement, the government, the CSO and the CESP have also provided leadership for the Whitehall community:

- a. The publication of "Buy Green and Make a Difference" in Summer 2008 set out government policy on how to take account of environmental sustainability at all stages in the procurement lifecycle within the framework of value for money and the EU Procurement Regulations. It includes practical examples of "how to do it";
- b. Working with Defra, the lead policy department, the CSO and CESP have further developed and promoted the "Buy Sustainable—Quick Wins" standards. These standards support procurers to reduce the environmental impact of government operations and procurement by raising the level of environmental specifications for commonly procured goods and services, thereby contributing to wider policy objectives on climate change and resource efficiency. OGC works with Defra to ensure that required changes to these standards are agreed through appropriate cross Whitehall governance structures.
- c. The development of pan-government procurement strategies for procurement in the categories of fleet and energy has enabled OGC to pilot a model of sustainable procurement. Both strategies include:
 - i. work programmes to reduce demand—in energy, through the use of energy efficiency technologies, such as Voltage Optimisation (energy), and in fleet through supporting performance management of environmental targets, through the provision of fleet databases for use by departments;
 - ii. product specifications that reflect environmental sustainability—for renewable energy and for low carbon vehicles; and
 - iii. supplier engagement: in both categories, OGC has piloted the Carbon Disclosure Programme to encourage carbon foot-printing of suppliers to government. The CDP process was also successfully piloted by Defra and FCO. Take up for the OGC voluntary pilots was high, at 75%. CESP is working with other government departments to build on this with a more extensive programme of engagement with suppliers on carbon emissions in 2009.

9. OGC has also recently published best practice guidance on other aspects of sustainable procurement, including social issues, equalities and skills.

Next steps

10. Priorities for the current year include:
- a. setting more ambitious targets for government in future years: the CESP has launched a review of current targets, due to report in late 2009;
 - b. stepping up work to improve the energy efficiency of government buildings. The recent publication of Display Energy Certificate ratings demonstrates the scope for further progress. A range of measures will be necessary, ranging from best practice guidance for “quick wins” through to work with landlords on green leases, and work to retrofit government buildings with energy saving equipment;
 - c. developing a full pan-government vision for sustainable procurement that will establish the government as a leading practitioner in the field and measures against which progress can be reported. This work will take full account of the recent reports from the SDC and NAO and will be supported by the development of a range of case studies of leading practice in sustainable procurement; and
 - d. the initiation of a project to provide refreshed Value for Money guidance which will help departments to evaluate and measure value for money from procurement. Specifically it will provide practitioners with a standard methodology to capture value for money from both their efficiency and their sustainable procurement both the efficiency and the sustainability gains from their procurement activities.

GOVERNMENT COMMITMENTS AND TARGETS

11. The latest data on performance on the SOGE targets and mandates reported by the SDC demonstrates that Government as a whole has made significant steps towards improving the sustainability of its estate.

12. In terms of current performance, carbon dioxide emissions from vehicles have been reduced by 10%, waste arisings have undergone a 29% reduction, and water consumption across government has been reduced by 18%. On Carbon emissions from offices, the SDC reports that the government is not on track to meet its targets for 2010–11 on the basis of a straight line trajectory. The trajectories published in Government’s updated delivery plan in December 2008, show how the government will address that issue; and forecast that government as a whole will meet the 2010–11 targets on carbon dioxide emissions from offices and road transport, waste and recycling, and is forecast to meet the 2020 target on water consumption.

13. The SDC reports lower rates of progress in relation to the government’s commitments on sustainable procurement, also the subject of an upcoming report from the National Audit Office and in relation to mandated mechanisms. These mandates include:

- a. departments to adopt the Carbon Trust’s Carbon Management Programme or achieve the Carbon Trust Standard;
- b. departments to apply BRE’s Environmental Assessment Method (BREEAM) excellent standard or equivalent, to all new builds where this is consistent with value for money; and
- c. departments to work towards an accredited certified environmental management system (EMS).

14. On sustainable procurement, the government, in response to the report of the SDC and in preparation for the report of the NAO, is now developing a forward vision for sustainable procurement and target measures. This will enable performance on sustainable procurement to be measured and monitored on the same basis as performance on sustainable operations.

15. On mandated mechanisms, OGC has undertaken a study into performance against these mandates and identified a number of common barriers that have acted to constrain departmental progress. OGC is now working with departments to resolve these issues, including:

- a. establishing a cross-departmental collaborative group on carbon management to share good practice, develop action plans for priority energy efficiency actions, and work towards achieving the Carbon Trust Standard;
- b. producing new guidance for departments on how they should meet their commitments on BREEAM. This will include advice on those circumstances (permitted under the terms of the mandate) where project constraints, eg for the location of a new building, preclude BREEAM excellent certification, which takes into account, for example, transport links to the site of a new building; and
- c. clarifying, with Defra, the requirements on departments in relation to environmental management systems. The mandate requires departments to “work towards an accredited EMS” and currently permits departments to determine for themselves whether to apply an EMS to their entire estate or selected buildings. Departments need to understand better both what the mandate means in practice and also how to make progress towards the expectation of the SDC for this mandate to apply to the entirety of departmental estates and staff.

INTERDEPARTMENTAL CARBON TRADING

16. All departments are expected to deliver the improvements required by the targets—this is an important part of demonstrating leadership. There are currently no plans for inter-departmental carbon trading, except insofar as this may arise in relation to emissions from the public sector estate that are covered by the Carbon Reduction Commitment. If, however, it was decided that some further form of trading was required in future, the Climate Change Act includes provisions that allow new trading schemes to be established through an affirmative statutory instrument, and the potential use of this mechanism, and the associated impacts, would be examined further.

17. The Government's consistent policy on offsetting is that it has a legitimate place in the hierarchy of actions to tackle climate change. But measuring emissions and avoiding and reducing them must be undertaken before offsetting is considered.

18. More widely, the Government is currently establishing a successor arrangement to the current Government Carbon Offsetting Fund (GCOF). The intention is to establish a framework contract with a number of suppliers under which government departments will buy carbon credits to meet voluntary commitments on carbon offsetting such as the ongoing commitment to offset emissions from Ministerial and official air travel. It is the intention that all future government offsetting will be delivered through the renewed GCOF contract. This should ensure cost effective delivery of the separate commitments that exist and offer benefits in terms of the administrative burden faced by Departments. The contract will involve the purchase of regulated credits (Certified Emissions Reductions under the UN Clean Development Mechanism) that emanate from projects meeting wider sustainable development objectives. GCOF does not create new commitments to offset carbon emissions; rather, it facilitates their delivery.

SOGE TARGETS

19. The Government should at all times lead by example in relation to sustainable operations and sustainable procurement. This is what the SOGE framework seeks to deliver. The 2006 SOGE targets sought to bring sustainability on the Government estate into line with our wider sustainability goals, including the requirements of the Kyoto Protocol, commitments in the Energy White Paper (2003), and our *then* domestic target to reduce emissions by at least 60% by 2050.

20. Since the launch of the SOGE targets in 2006, the Government has announced a range of new policy commitments, including for example the Climate Change Act including the carbon budget framework, the Carbon Reduction Commitment, the Energy Services Directive and Display Energy Certificates, the Water Strategy and the Waste Strategy. This is why Government is reviewing the SOGE framework during 2009 as it needs to reflect a changed, more mature, policy landscape.

21. DECC is currently undertaking a consultation on a draft definition of carbon neutrality and good practice recommendations for users of the term. The consultation closes on 21 May 2009. The consultation will allow Government to conclude whether the target is an effective way of demonstrating climate change leadership. The outcome of the exercise will feed into the review of the SOGE targets.

22. A sustainably managed estate is one that has: modern, resource efficient, low energy usage buildings; well conserved and managed land; efficient use of space and ways of working; and the principles of sustainable development embedded into working practices. Sustainable operations are wholly consistent with good value for money and efficiency, and are a key part of building a modern and resource efficient public sector. The current SOGE targets have put government on a path towards delivering sustainability in the way that it uses and manages its estate and operations.

23. The progress departments have made towards achieving the existing SOGE targets has reduced their negative environmental impacts. Benchmarking work undertaken by consultants as part of the review of the sustainable operations and procurement target framework (see below), was unable to find any comparable set of sustainable operations targets applied to government bodies in the other countries examined (EU member states, Canada and Australia). The implication is that UK government has adopted a position of leadership in terms of measurement and transparency around the environmental impacts of its operations.

24. Government recognises that sustainability is about much more than estate management. For this reason all central government departments and their executive agencies are required to produce Sustainable Development Action Plans that set out the actions that they are taking to build a sustainable development approach to policies they produce or deliver, staff or people they work with, as well as the goods and services which they procure and the operations which they manage. These plans are independently assessed by the SDC.

REVIEW OF THE SOGE FRAMEWORK

25. Government as a whole is now forecast to meet the 2010–11 SOGE targets, though individual departments still need to take further steps to make the required reductions, as demonstrated by the delivery trajectories published in the Delivery Plan update in December 2008. This is a substantial step forward for government but there is still more to do to ensure that the overall target framework for sustainable operations and procurement represents leading practice in the longer term.

26. Over the past few months, OGC (working with policy leads in Defra, DECC and DfT) has initiated a strategic review of the target framework. The review is developing proposals for a more coherent refreshed framework for 2010–11 and beyond. The new framework will be better aligned with existing and new policy commitments (eg Climate Change Act, Carbon Reduction Commitment and Waste Strategy). On the procurement side, it will build on the commitments in the Sustainable Procurement Action Plan to establish clear measures for assessing departmental performance on sustainable procurement. The review's proposals for change will be based on research into good practice in the private sector and elsewhere in the public sector and supported by evidence of costs and benefits.

27. Issues under consideration by the review include:

- a. How can the targets be better aligned with Government's wider sustainable development policies (for example, new developments such as carbon budgets)?
- b. Is the current scope correct? Should the targets be extended to cover NDPBs, the overseas estate, operations (as well as administration) and/or the impacts of major outsourced activities? What would the consequences of such an expansion be in terms of ensuring compliance, establishing baselines and collecting data?
- c. What sort of sustainable procurement measures would best incentivise reductions in the negative sustainability impacts of procurement? Should the government concentrate on process-based measures to embed strong sustainable procurement practice and capability, or develop measures focused on the sustainability outcomes of procurement activity?
- d. How can the target set incentivise both departments with a strong record on sustainability and departments which have further to go?
- e. How can government ensure that the target set continue to represent best practice and reflect national policies?

28. The review's proposals will be put to departments for further consideration over the summer by Defra, as owner of the target framework. Following analysis of departmental comments, a proposal for refreshing the target framework will be put to Ministers in autumn 2009. This will give departments several months to put the necessary data-collection systems in place to capture data against the new targets from April 2010.

THE GREENING GOVERNMENT ICT STRATEGY

29. Information Technology is used to drive many transformational government initiatives; from renewing car tax online to helping over 6,000 people into jobs each day. Hundreds and thousands of public servants also rely on IT to do their jobs efficiently and effectively.

30. Worldwide, ICT is responsible for the same quantity of carbon emissions as the aviation industry (around 2% of total global emissions according to recent Gartner research). Government spends over £13 billion per year on ICT; it needs to invest this in a sustainable way. Government has a responsibility to lead by example, showing what can be achieved and committing to making a difference. It is for this reason that on 17 July 2008 the UK Government launched a strategy specifically targeting the environmental impact of our ICT; both reducing carbon emissions and using ICT to support greater efficiency and more sustainable development. It is the only government in the world to have mandated targets for CIOs for Green ICT.

31. The Greening Government ICT strategy is an important part of the wider pan-government ICT strategy. A key objective of this strategy is to deliver sustainability within government's ICT, ensuring that key policy objectives are embedded into contracting practices and terms. The Greening Government ICT strategy not only considers the carbon cost of ICT itself, it also addresses the use of ICT to reduce the overall carbon emissions in delivering government services.

32. The Cabinet Office has been working with departments through the Chief Information Officers (CIO) Council and with industry on implementing the strategy since its launch. Departments have completed ICT roadmap action plans and a summary of these action plans will be published later this year.

33. The Chief Information Officers (CIO) Council have mandated a minimum of 10 of its Greening Government ICT steps and every CIO on the Council has now provided a Departmental Roadmap action plan of how and when they will deliver the 10.

34. In addition, officials have been working with colleagues overseas to share best practice and UK Government and Industry have been leading the way in supporting the creation and distribution of the recently announced European Commission Codes of Conduct on Broadband and Data Centres. UK Government is also working with the US Government in reviewing changes and improvements to its Green ICT procurement standard EPEAT. In the meantime Defra has developed best practice ICT specifications as mandatory minimum standards for all central government departments under Quick Wins.

Progress and future development

35. As part of the Greening ICT Strategy, government has completed a pilot of departmental self-assessment scorecards against a set of collaboratively developed measures for both government ICT staff and outsourced Industry suppliers. This scorecard highlights ICT carbon emissions, equipment per person, energy usage, and average lifecycle of equipment and replacement of ICT.

36. Departments have also now completed a self assessment baseline exercise reviewing their carbon output and ICT use and how to reduce it with reference to the top 18 steps defined in the Greening ICT Strategy. From these assessments action plans have been developed, establishing measures for improvement and delivery dates for each department to achieve the 18 steps.

37. Following completion of action plans these will be aggregated for cross-government analysis and review. This will identify what immediate action can be prioritised and identify opportunities for wider cross departmental actions specific to a particular technology or initiatives.

38. Defra will continue to work closely with the GDU and OGC to facilitate the harmonisation of ICT standards with European initiatives such as Green Public Procurement (GPP) and EU Ecolable, and with other international standards such as EPEAT.

GOVERNMENT PERFORMANCE ON REDUCING CARBON EMISSIONS FROM OFFICES

39. The latest SDiG report demonstrates that government has reduced the carbon emissions from its offices by 6.3% since 1999–2000. The update to the Government's Delivery Plan published in December 2008, included trajectories from each department setting out how they intend to meet the carbon dioxide from offices target.

40. Five departments are currently showing a shortfall although government as a whole is forecast to achieve the target, subject to the successful implementation of the planned activities identified. It is important to remember that the targets do not present the same level of challenge for each government department. For example, targets for DWP have become more challenging as a result of the economic downturn: the department will have a larger number of transactions with clients than originally planned and this will have consequences for its estate and for the sustainability of the estate.

41. The majority of the planned activities focus on reducing demand for energy on the estate through behaviour change, the use of technologies to reduce demand (such as voltage optimisation), and estate rationalisation. In the short term, OGC is working with departments to support them in identifying priorities for additional actions, resolving any common issues and ensuring best practice is shared.

42. Budget 2009 announced that £65 million of zero-interest energy efficiency loans will be made available for public sector organisations in 2009–10. The loans will allow organisations to overcome capital constraints and invest in simple but effective energy efficiency technologies such as boiler replacements and controls, cooling and heating controls, lighting upgrades, insulation, office equipment improvements, and network PC management.

43. For the medium term, OGC is working with key departments to scope the potential for piloting a collective programme to retrofit energy efficiency measures in buildings which we expect to occupy for the next ten years. This work aims to identify clusters of potential sites; evaluate the solutions which could deliver best carbon reductions and improved energy efficiency, and assess the costs and financing models. Solutions could include: improving the thermal performance of the building envelope; reducing energy use for lighting, heating, cooling, ventilation and equipment; fuel switching and on-site energy generation, and passive measures such as natural lighting, shading and natural ventilation.

44. In the longer term, and in line with the refresh of SOGE targets, we are also working with the Technology Strategy Board to identify a number of innovative technology projects which we could pilot in a few key government buildings to determine the level of savings that are achievable through these methods. Bringing forward new technologies will give a lead to the wider private and public sector, and will help to increase the range of cost effective options available to achieve the 80% reductions in greenhouse gas emissions that will be required across the UK as a whole by 2050.

45. The Carbon Reduction Commitment, which comes into effect in 2010–11, will provide financial incentives to departments to reduce their emissions. All departments, regardless of their size, will be required to participate in the new scheme. OGC is working with DECC (as the policy lead) and the Environment Agency (as the regulatory authority in England and Wales) to provide practical support to ensure best practice implementation by departments, and to minimise as far as possible the data collection and reporting burdens departments may face.

DEPARTMENTAL PERFORMANCE

46. Departments vary greatly in the size of the challenge that faces them in delivering their SOGE targets. Variables include: the size of the estate and operational requirements (eg extending opening hours in DWP; building more prisons in the case of the Ministry of Justice). Therefore it is natural that there is variation in performance against SOGE.

47. All departments, however, are equally committed to meeting their targets and the CSO and OGC will work with all departments to raise capability in sustainable procurement and sustainable operations across Whitehall.

48. The 2008 SDiG report has highlighted the wide differences in departmental performance against the Carbon from Travel target. To address this the CESP commissioned a joint review with the SDC to review sustainable travel in Government and identify:

- (a) current sustainable working practices and key implementation challenges facing Central Government;
- (b) examples of good practice both in the private and public sectors;
- (c) policy levers to engender change, and the relationship between the different drivers; and
- (d) opportunities and barriers for making travel more sustainable including early actions.

49. The findings of this review, which will be shared with environmental practitioners across Whitehall, and will be important inputs both for the review of SOGE targets and for the next iteration of the government's Delivery Plan for SOGE targets.

Witnesses: **Mr William Jordan**, Chief Sustainability and Operating Officer, Office of Government Commerce; **Mr Bill Stow**, Director General, Strategy and Evidence Group, Department of Environment, Food and Rural Affairs; and **Mr Trevor Hutchings**, Head of Low Carbon Economy Division, Department of Energy and Climate Change, gave evidence.

Q50 Chairman: Good morning and thank you for coming in. I appreciate that you are slightly handicapped by the fact that we have not got a Minister today but within the constraints of what you can say and do, we are grateful to you. Would you just like to introduce yourselves and briefly summarise what your responsibilities are, please?

Mr Jordan: I am William Jordan. I am the Chief Sustainability and Operating Operator in the Office of Government Commerce. I am responsible for the Centre of Expertise in Sustainable Procurement in the Office of Government Commerce. I am also responsible for two other teams, one of which is the central team dealing with the Government Estate Transformation Programme and the other deals with markets and collaborative procurement.

Mr Stow: I am Bill Stow. I am the Director General for Strategy and Evidence in Defra, a member of the Defra Board, and for these purposes my team have the lead on sustainable development policy.

Mr Hutchings: Good morning, Trevor Hutchings, Department of Energy and Climate Change. I head up the Low Carbon Economy Division within the Department and for these purposes I have an interest in carbon emissions from the public sector estate and have links with teams working on the CRC, carbon neutrality and carbon budgets.

Q51 Chairman: Thank you. How well do you think the Government is doing in meeting its sustainability targets?

Mr Jordan: I think we would accept the verdict of the Sustainable Development Commission which says, I think, that we are doing pretty well these days on the sustainable operations on the government estate's SOGE targets but significantly less well on sustainable procurement and on mandated mechanisms.

Q52 Chairman: So what do you think the main challenges are now?

Mr Jordan: I think we have done three things over the last year all of which lead on to new challenges, one of which is we are continuing to refine our data so that our baselining is getting more accurate. We are moving to quarterly reporting. The SDC is reporting now on data that relates to the year 2007–08. We obviously need to have data that is robust but also much more recent in quality. That work needs to continue. As you will see, last year we had no baseline on waste, for example, for the Ministry of Defence, so we are tackling those issues and that remains a challenge. The second issue is around refining the Delivery Plan. It is great that we put in place something that says how we are intending to deliver the targets, it adds transparency, but we need to actually deliver on it. Thirdly, we need to do a good deal more work on sustainable procurement. We have published over the last year a fair number of policy pamphlets saying this is how you should take into account, for example, environmental issues in procurement. We have also published pamphlets on social issues and other dimensions of sustainability. We have done some work in our own teams on the pan-government procurement of fleet and energy that exemplifies sustainable procurement, but we need now to put together a vision of how do the different strands of sustainability work together, what do I do if I am a practitioner, how do I take these things into account when I procure, and we need to develop the same kinds of targets and measures for sustainable procurement that we have for sustainable operations. The final thing I would mention as a challenge is Display Energy Certificates which were published for the first time last year. They show a situation in which there is still a great deal of scope for improvement on energy efficiency of the government estate, and that will be a major challenge for me over the next 12 months.

Q53 Chairman: How do you feel about the SDC's call for SDiG data to be subject to external verification? Is that something that you would be happy to move towards and what would it cost?

5 May 2009 Mr William Jordan, Mr Bill Stow and Mr Trevor Hutchings

Mr Jordan: I do not know what it would cost. I think that is one of the issues that we need to look at. Particularly we should look at this as we develop a new target set and we move to baselining that new target set in 2010–11. At the moment we very much value the external scrutiny that we have from the SDC and, on occasion on our figures, from the NAO. At the moment the SDC are sponsors with us of a joint study by consultants on sustainable travel. We have asked them to have an independent look at some of our travel data. They have found some interesting inconsistencies that we have been working to resolve with departments. I am very strongly in favour of external verification. I think it is one of those issues that as we get our own data under control, as we get quarterly reporting in place, as we get a new target set, we should explore.

Q54 Colin Challen: It seems to me from what I have heard this morning that there is much emphasis on new guidelines and a review of SOGE targets, there are ambitions, goals and so on, but what happens if people do not do it? What happens to them? What sanctions are there for the departments?

Mr Jordan: I think you will have heard already that this has become a much more salient agenda of government over the last 12 months. This has become a personal objective of each permanent secretary. The Cabinet Secretary last year declared this to be one of the four corporate priorities of the Civil Service, so performance against sustainability will go into a balanced score card against which permanent secretaries' performance will be judged. I am sure that this will lead to greater efforts than there have been in the past to make sure that we do hit these targets. Indeed, I can already see that happening.

Q55 Colin Challen: But the sustainability agenda is often seen as trying to maintain things at a similar level as they are today and I am just wondering how people involved in procurement and pursuing lower CO₂ emissions for example, and sustainability more generally, have to compete with other pressures, how they deal with those other pressures, I should say, like value for money. We are in a time when it is possible that government may face austere measures on spending and some sustainable solutions may cost more up-front than less useful contributions to this agenda. How are these people being helped to handle that kind of approach?

Mr Jordan: Let me say first that one of the great advantages of the way that my post in the OGC has been structured is that I am responsible both for sustainability and for value for money in procurement and in estates, so I do not spend my time arguing on behalf of sustainability with another champion of value for money in government. It is my job to make sure that we do both. What I have been doing over the past year in relation to the work that we support in OGC on putting together a single strategy for the procurement of common goods and services—and we are most advanced with energy and fleet—is to put together strategies that combine value for money and sustainability. Demand

management is an important part of both strategies. We have the Energy Procurement Team supporting framework procurements. We have one in place that enables government departments to get their IT automatically switched off at night, the NightWatchman framework. We have got frameworks that will come into place to enable automatic meter reading and voltage optimisation, so there are things that we are doing in energy procurement that will help demand management of energy in departments that will help save money and also save carbon. Similarly, on fleet, a significant part of the work of the fleet team in OGC is to work with departments around best practice in the use of “grey fleet”, that is civil servants using their own vehicles, which is often not a very good value-for-money option and not a very sustainable option. We are able in very large measures to combine the two in single procurement strategies. There will be some areas where you will want, if you are a department, to spend to save. I am thinking here of something like the retrofitting of public buildings with energy-saving equipment. The Government has announced in the Budget £65 million of funding to help departments with spend-to-save measures of a short-term kind, and I will be looking to see what kind of procurement and what kind of arrangements we can put in place to enable government departments to carry out spend to save where it is necessary.

Q56 Colin Challen: This year's SDC report described the current governance structures, not least the creation of the Centre of Expertise in Sustainable Procurement, as being confusing. Are you saying therefore that you would not really agree with that or is it something that needs addressing?

Mr Jordan: I feel the Government's structures are an improvement on what has gone before them. These days the way in which the work is governed is that the Chief Executive of OGC chairs a small governance panel of the five big departments in terms of environmental sustainability and the lead policy departments, which govern the work of the Centre of Expertise, but we also continue to run a forum for all government departments which we use as a sounding board. Finally, we report as the Office of Government Commerce to a group that is known as the Commercial Delivery Board, which is a group of the permanent secretaries in departments. That is chaired by the Permanent Secretary of the Treasury and three times a year that body meets and three times a year we report to them on how it is going. That is one of the ways in which permanent secretaries focus on this agenda.

Q57 Colin Challen: Talking of permanent secretaries, they now have personal objectives relating to their departments' performance against the SOGE targets. Has that produced any noticeable change in direction?

Mr Jordan: I certainly think that this agenda has become much more salient in central Whitehall since the Cabinet Secretary declared this to be a corporate priority and put these personal objectives in place for permanent secretaries. I notice that people come

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to my door who are working on sustainability in departments, they have had air time with their permanent secretaries and their permanent secretaries say to them, “Look, I want to move up the SDC league table; help me find a way.” I think this has been a very helpful move.

Q58 Colin Challen: What kind of feedback have you had from permanent secretaries on this development?

Mr Jordan: I think permanent secretaries accept that this is indeed a corporate priority of the Civil Service and have embraced it. I see them with my Chief Executive three times a year for one-to-one meetings in advance of the Commercial Delivery Board, so we cover this, among the other agendas of OGC, on those occasions.

Mr Stow: I know from my own Permanent Secretary that when she has her regular performance discussions with Gus O’Donnell, the Head of the Civil Service, he always holds her to account on the performance targets so it has a real impact.

Q59 Colin Challen: Just moving up a step from the permanent secretary, if that is possible, what role does the Minister for Transformational Government actually have and do you think it is making a difference?

Mr Jordan: I think it has got three valuable aspects from my perspective. The first is that it is really quite important to us that we have got a Parliamentary Secretary in the Cabinet Office to champion this agenda because I think it is one of those things that is a signal to all civil servants that this agenda really matters, because the Office of Government Commerce is an independent office of the Treasury, we live in the Treasury building, and given that we are also acting on behalf and reporting to a Cabinet Office Minister this shows that this is a real priority.

Q60 Colin Challen: Does this conflict at all with the green ministers in each department?

Mr Jordan: No, I think it just means that there is a kind of lead for this in government as well as a Green Minister in each department. I think the second thing that this enables us to do is to get the right linkages with the Greening Government ICT programme which is led by the Cabinet Office, by the CIO’s office there, and reports to Tom Watson. The third aspect is that we have a Minister who will lead the advocacy of the agenda more broadly and will engage with external bodies and speak at conferences and so on.

Q61 Joan Walley: Just following on a moment from Mr Challen’s questions, for you at the OGC the responsibility remit is in respect of procurement of common goods and services and I am wondering whether or not there is a conflict in respect of when services become outsourced. You mentioned yourself that you were the one and the same person that dealt with best value and with green sustainable policies, as it were. I just wonder whether or not there is a conflict and how much what you would hope to be within a government departmental

regime you can make sure is there within any contracted-out, out-sourced service and whether that has presented itself to you as a conflict of interest in terms of government commitments in respect of its estate, but if it is then all out-sourced, so it is DWP with whoever it is who then runs the office, how can you make sure that that is now with them?

Mr Jordan: I would like to make two points. First of all, to explain what my role is in OGC: we do support cross-government, pan-government strategies for common goods and services but these are in categories such as energy, fleet, travel, office solutions, ICT, professional services, and we have recently had an Operational Efficiency Programme report recommending us to do this also for food, for construction and for facilities management, so it is only across a limited number of categories that we support pan-government strategies or are developing them at the moment.

Q62 Joan Walley: Who is looking after the rest?

Mr Jordan: The rest is procured by departments for their own needs. We do engage with departmental procurement over and above what is done in common goods and services, but that is what I am personally responsible for. That includes many of the categories where sustainability is most relevant.

Q63 Joan Walley: To go back to Mr Challen’s questions in terms of the responsibilities that permanent secretaries now have, would they be assessed on their ability to include these sustainable development objectives and any contracts that were secured in respect of outsourcing?

Mr Jordan: The assessment at the moment would be done very largely, if not wholly, in the light of the SDC assessment of departmental performance, which covers both sustainable operations and sustainable procurement. On the outsourcing question, just to come on to that, much of the government estate which is covered by PFI contracts is fully included in the SOGE framework and is reported on. HMRC and DWP have large estates, long-term contracts, they are both 100% included in the framework. The only area where I am aware of an outsourced estate which is not fully included—and it is one which was raised by this Committee last year in fact—is the prisons estate. That is not part of the SOGE framework but is reported on voluntarily by the Ministry of Justice. Largely in response to what the Committee suggested to government last year, it will now be ensuring that any future PFI deals are fully covered in its reporting and has started discussions with its existing contractors to see what can be done about existing PFI prisons.

Q64 Joan Walley: To move on to the Delivery Plan and the updates, I think you said in the update that was published in December that the Government was on track to exceed the 2010–11 target for carbon emissions from offices. Given that the Government was not on track to meet this target for 2007–08, can

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you give us solid evidence to show that the Government is on track for the next reporting period?

Mr Jordan: The delivery plan shows the detailed plans of each department, about what it is going to do and what impact that will have. We are on track on the basis of the forward trajectory, which assumes that departments will do what they say and that it will have the impacts that they say it will have. If those two conditions are met, we will exceed the target. We will exceed all the targets at a pan-government level. It is my job to make sure that happens.

Q65 Joan Walley: Given that you say what will be achieved will be delivered by carbon management, could you explain to me what carbon management is?

Mr Jordan: It is a kind of activity that departments undertake with the Carbon Trust when they engage in a carbon management programme. It involves taking an audit of what they are doing, looking at what the can do to improve matters. It is very largely a behavioural change programme.

Q66 Joan Walley: Is it audited?

Mr Jordan: The figures are the ones which are reported, which are normally taken from things like departmental fuel budgets for the year. They are the reporting figures.

Q67 Joan Walley: You have confidence that what you understand to be carbon management is understood as being that by everybody else who is undertaking it.

Mr Jordan: I think what I have given you is the fairly standard definition of what carbon management amounts to. The other thing I would say is that there is no one silver bullet that achieves reductions in carbon. We need to do quite a number of things. One of the things we certainly need to do is to work at the level of estate management. It is necessary for us to reduce the footprint of our estate, to get up to private sector space benchmarks, so that we are using less space to house more people and we can give up buildings that we do not need. It is necessary for us to make sure that when we go into new buildings they are of high environmental quality and we will need to do something also to retrofit our existing buildings to improve their energy efficiency. I will just say that we need to work on estates, we need to work on procurement, and we need to work on behavioural change.

Q68 Joan Walley: I have one last question on the delivery plan. It states that OGC is working to resolve the barriers that are preventing mandating from meaning exactly what is supposed to mean. I just wonder what those barriers are.

Mr Jordan: I think, having done some work on this now, there is quite a lot of confusion around quite a number of issues in relation to the mandates which I am intending to clear up. One element is: What does the mandate mean? Another question is: What are we supposed to be doing to meet it and how? Perhaps

I could say something about the procurement of buildings that fall in the top quartile of energy efficiency, which is a government policy that has been in place for four years. To clarify that policy requirement on departments, we have been able for the first time, now that we have Energy Performance Certificates, to say what is it to procure a building that falls into the top quartile of energy efficiency, and then to look at what are those rare circumstances, which were always part of the policy, under which you might procure a building that fell outside—whether that is because we need a building in a certain location and there are no buildings that fall within, or a more interesting question that we are currently looking at where a department is saying, “I can take out a bit more space in a building that I already have. It is not a top quartile building but if I put my additional staff with my existing staff in that building, I will do a lot less travel, so this may be the most sustainable outcome.” To clarify what you are supposed to do to meet it and, sometimes, where the mandate has been set essentially on a comply or explain basis, to say what would be the case where explanation was appropriate.

Q69 Chairman: You have mentioned carbon management and you said that was partly behaviour change.

Mr Jordan: Yes.

Q70 Chairman: In the update to the delivery plan published last December there are two separate items. Carbon management is quite a big chunk but you have separately itemised behaviour change. How does that reconcile with what you have just said?

Mr Jordan: Carbon management would be more the kind of activity where you put in, for example, automatic meter reading, do serious work around what are the anomalies in my data and what can I do about that, whereas the behavioural change item will be more general campaigns; for example, to switch off equipment when you go home for the weekend. However, I have to say that what we have done at the pan-government level in relation to rationalising the detail at the departmental level, is very much to take at face value what the department has said it is doing. One of the things I am working on is to try to get a simpler and more transparent set of high level descriptions, to make sure that we are counting everything in different departments in the same way.

Q71 Chairman: Switching off lights is behaviour change rather than estate management and rationalisation.

Mr Jordan: Estate management and rationalisation is what I have just described: “We had 10 buildings and we are moving down to four. We are giving each person less of a space/footprint.”

Q72 Chairman: Greening ICT is not switching off computers?

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Mr Jordan: It might be, if switching off computers was part of your greening ICT programme but there are 18 things that might form part of your greening ICT programme and there is quite a wide range of them.

Q73 Jo Swinson: The plan is quite specific that it is 121,478 tonnes of CO₂ that are expected to be delivered by carbon management. Are you saying that figure has just been what the departments have said: “We think we will be able to save 3,621 tonnes through this” and you add up what all the departments say? Or is it done in a more rational way, where you say, “The Carbon Trust has worked with these departments and it has found that it has managed in the past to cut their carbon by *x* per cent; therefore, if these departments are going to work with the Carbon Trust that is what we will expect”? Is it done in that rational, logical way, or is it just that they give you a number and you add them all up?

Mr Jordan: At the moment they give us a number and we add them up. The first stage in doing this process was to get plans in place so that we could see whether or not we were on track to meet the targets. The second stage in December was to look at those plans again in the light of last year’s outturn. The third stage will be to rationalise the plans.

Q74 Jo Swinson: When is that rationalisation expected to happen and who is responsible for making sure that the next plan or update that is published is robust and based on solid data?

Mr Jordan: It is my responsibility to work with departments to make sure that plans are robust and based on solid data. We will revise the plan, as we promised, twice a year. I expect this to be an iterative process. I am not expecting to leap from where we are today to a perfect plan. Certainly we did not the second time round and we will not the third time round. If you look below the high level detail at what individual departments have done, I am sure it will not surprise you that some departments have much more robust plans than others just in terms of what meets the eye, and there are a number of departments that I expect to improve their trajectory’s robustness.

Q75 Jo Swinson: The next plan, this summer, will hopefully be a bit more robust. Do you think at the moment, therefore, the delivery plan and its update will need to have a bit of a health warning in terms of whether or not that will be achieved, given that it is not yet based on wholly robust data?

Mr Jordan: We will know a lot better as we get this year’s data out and as we get more recent data out whether we need to put a health warning on future plans. I am feeling confident that we are going to deliver but that is not confidence yet based on outturn data for the 12 months that I have been in post.

Q76 Martin Horwood: All three of your departments are involved in the review of the SOGE framework. The Sustainable Development Commission in their report claimed that the progress so far has been

mixed. They said in their evidence to us just now that they still think a step change is needed, that leadership has to be shown, and that it is important that government shows that leadership not only in its own operations but for the economy as a whole. In the review of the framework, what steps are you going to take to ensure that the level of ambition is really as high as is needed for the whole economy and for government?

Mr Stow: We are in the lead on the review, although obviously involving the two departments represented here and other departments like Transport. I should say that the review only started this year. I think someone said that it has been going for two years, but it only started this year. We will be going to ministers collectively in the autumn, so that we can introduce the new structure from April next year. That is the background timetable. Some of the existing targets expire anyway in 2010–11, so we need to look at those. We have a significantly changed policy landscape around carbon with the carbon reduction commitment, the carbon budgets, the new Climate Change Act, but also on water and waste, so we need to look at whether our current targets are sufficiently ambitious against the background of those major changes in policy that have happened since the framework was introduced. Yes, the level of ambition will be one of the really critical things that we will want to look at. The second—something that also came up as the SDC were giving evidence—is scope. That is in two senses, I think: first, the wider coverage you have been arguing for, covering NDPB, all executive agencies, and, second, what you might call deeper coverage. At the moment some of the targets, at least, only apply to office emissions. Should we have wider coverage beyond the office structure of departments? I think there is also a question—and this came up earlier too—as to whether you reward those departments that have made most progress in some way, as to whether you differentiate. That is quite a difficult problem but one which we are also looking at. We will also be looking at—another point that came up earlier—issues related to the supply chain. The work we have done in Defra on our own carbon footprint, which was piloting this across government, shows that it is not an easy thing to do. The methodology is only just in place really and we are starting to apply it, but that is something we will want to look at again, as to whether the methodology, the capacity is adequate to be able to tackle that now or whether that is something on which we need further work.

Q77 Martin Horwood: Perhaps I could come back on that. I do not find that answer completely reassuring, if I am honest. I asked you whether or not the level of ambition was going to be there and you are looking at whether the targets need to go beyond office targets or whether the supply chain needs to be incorporated. Surely the answer to all these questions is blindingly obvious, that it does need to go beyond these limited targets, that they do need to be more ambitious than you have had before, and you should be pushing other government

departments. There is a very good example in your own department to this: the Environment Agency said that their ambition is to reduce emissions by 30% by 2012 and they think that all other government departments and agencies should be able to set similar ambitious targets. Would you back them in that?

Mr Stow: The fact that we are looking at these issues is a recognition that we need to have a higher level of ambition. I would be reluctant to pre-empt ministerial discussion in the autumn over exactly what the level of ambition is, but the fact is that we are looking at all of these areas that you have raised, the SDC have raised, and we would not be doing that if we did not think that some more could be done.

Q78 Martin Horwood: One of the examples you gave was the supply chain. Would you like to see most (if not all) of the supply chain brought within the scope of these targets? Is that your starting position?

Mr Stow: I think the supply chain is an area where, yes, we would. We want to be ambitious, but the question is: Does the means of doing this really exist yet? There is something called PAS-2050 that is a methodology for looking at this but it is a very new area for all of us, including the private sector. How we do it, how we can set targets for it, which we really do need to look at very closely before we can reach any conclusions.

Mr Jordan: One of the initiatives the Government took last year was a pilot with the carbon disclosure programme, which was pilots within OGC, within Defra and within the SCO, sending out questionnaires to suppliers on a voluntary basis which would enable us to determine their carbon footprint. Take-up was 75–80%. We are now extending that pilot across 12 departments with 300 suppliers this year. I think it will be a slow process, first of all to gather data on the carbon footprints of suppliers, and then to think, “What is it sensible to do about that?”

Q79 Martin Horwood: I will shamelessly quote an example that has a constituency interest and so I will declare it. There is a print management company in my constituency that is working on carbon footprinting technology for the procurement of print. That is something very simple that cuts across the whole of government. The whole of government produces, as we know, enormous quantities of paper. From OGC’s point of view, is there a standard approach to carbon footprinting across the whole of government now? If there is not, should that be ambitious and in the new SOGE framework?

Mr Jordan: From OGC’s perspective, we are focusing on the carbon disclosure programme to develop carbon footprints from our major suppliers, and we will take it on from there.

Q80 Martin Horwood: I am sorry, was that a “No”—that in terms of print there is no specific example?

Mr Jordan: Print is not a category we have looked at in our pilots, which were done on energy and fleet in OGC. It is a possible area to extend into, but I think

we are now going to look at what are the major suppliers, rather than to go for the category-specific pilots next year.

Q81 Martin Horwood: Do you mind if we move on to energy, which is a bit shocking in the numbers because of the drop in the amount of renewable energy which is being used. Have you talked to Ofgem or received advice from Ofgem about the green electricity tariffs?

Mr Hutchings: When the Committee looked at this issue last year there was a concern about whether the purchase of green tariff electricity was driving any additional renewable generation. In view of there being a SOGE target on there—which incidentally expired at the end of the last financial year, 2008—the Government’s position on this, as supported by Carbon Trust and Ofgem, is that there is not clear evidence that the purchase of green tariff electricity is driving the production of renewable electricity over and above what is already legally required under the Renewables Obligation. Against that background, clearly, as we look at targets in this area under SOGE, under the review, we need to look at that. Ofgem, in their guidance recently, have been saying to suppliers that they do need to be able to demonstrate where a green tariff does bring benefits over and above the renewable electricity which would have happened anyway. I think this question of additionality is the nub of the issue.

Q82 Martin Horwood: On-site renewables are additional, are they not? Are they following this trend up or down?

Mr Hutchings: In terms of reducing energy consumption across the government estate, the first thing we would want the public sector to do is to look at the low-hanging fruit, as was mentioned earlier on. We think there are more cost-effective ways of saving carbon through energy efficiency measures—and we have heard a little bit about that.

Q83 Martin Horwood: I accept that, but we are talking about renewable energy at the moment.

Mr Hutchings: But renewables have a part to play as well, on-site renewables. Again, this is an issue that needs to be looked at under the review. The treatment of electricity from on-site renewables, the carbon element of that, needs to be looked at. In fact colleagues in Defra are looking to consult on the treatment of on-site renewable generated electricity as part of the corporate reporting guidelines. As I say, we would need to look at that and setting any target under SOGE.

Q84 Martin Horwood: Do you think the trend is upwards or downwards in on-site renewables now?

Mr Hutchings: I think the trend is upwards. We are seeing examples of government departments installing solar power or wind-generated combined heat and power systems. In recent times the trend is up, but, as I say, I think our priority would be to look at the quick wins that could be had through energy efficiency.

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Q85 Martin Horwood: I absolutely take the quick win point. We are all agreed on that. Can you then explain why there was this sharp drop in the percentage of energy being drawn from renewable sources by the government estate?

Mr Hutchings: I will refer back to what I was explaining around the additionality question. Is it right that we should be setting ourselves a target on drawing down green tariff electricity if it has not been able to demonstrate that that is having an effect on more renewable generation—

Q86 Martin Horwood: I am sorry to interrupt, Mr Hutchings. The figures we have been given by the Sustainable Development Commission are not purely about green tariffs, but I fully accept what you say to that part of the answer. If the trend in on-site renewables is up, why is the total percentage of electricity derived from renewable sources of all kinds—on-site, green tariff, whatever—dropping so sharply?

Mr Jordan: I do not think we have an explanation to that question. We are still well above the target level. It is not something we have focused on for the past year for the reasons Mr Hutchings has just explained; that is to say, we are not convinced that this is the way in which we are going to achieve our carbon reductions.

Mr Hutchings: I would add that through the Budget announcement recently we are looking, through the low carbon buildings programme, to put in additional money, £45 million, into micro-generation across both consumer and the public sector estate.² Renewable generation might be generation that does have a part to play, but, as I say, we are focusing very much on: “Let’s reduce carbon emissions through—a more cost-effective way, I might add, at the moment—“energy efficiency.”

Q87 Jo Swinson: I was interested in what was said about looking into wider and deeper coverage of the SOGE framework. Obviously the SDC has called for “100% coverage of all central government departments, Executive Agencies, NDPBs and other bodies” and we have heard this morning about the problems of outsourcing at the moment leading to apparent reductions when those reductions may not be happening. Do you have any idea as to at what stage we might be able to see 100% coverage?

Mr Stow: I think I am going to have to give you a slightly unsatisfactory answer on that, which is that we must do the review before we can give you the answer. In terms of coverage of executive agencies and certainly the bigger NDPBs, we will want to see an extension to as wide a range as possible very quickly. In our case, the Environment Agency, for example, voluntarily participates in the framework, and they are by far our biggest NDPB.

Q88 Jo Swinson: Are you looking within your review at including the NHS in the reporting? It is responsible for 3% of carbon emissions and has an energy bill of more than £500 million, so it is obviously a huge contributor. Is that included in the review?

Mr Stow: The initial focus is certainly on government departments and the NDPBs. There is a lot going on already in the National Health Service and of course they will be significantly affected by the carbon reduction commitment and so on. It is not as if they are being ignored, but we are looking most at government departments and their immediate landscape.

Q89 Jo Swinson: You mentioned that you did not want to pre-empt a ministerial discussion in the autumn. Does that mean that ministers are not discussing this before then as part of the review process? What is the timetable for which you are expecting at least the recommendations to come forward for the new framework?

Mr Stow: We expect ministers to take final decisions in the autumn, so that we have plenty of time for introducing the new framework from the beginning of April. There may be some discussion before the summer break, but at the moment we are doing a lot of the analytical work as opposed to political work, if you like.

Q90 Jo Swinson: The Committee might be able to try to put some suggestions towards the ministers about the decisions that they might take. Also, in terms of the costs of delivering the SOGE targets, do you make an assessment of how much the administration and the delivery of the SOGE targets costs against the environmental benefit? Is that analysis done?

Mr Jordan: No. We have done no estimate of the cost of delivering the targets. They are part of “business as usual”. They are also, in my view, part of the pursuit of value for money.

Mr Stow: Certainly in our own efforts within Defra I would endorse that. We have a team that works on these issues and we evaluate each particular intervention by the level of benefits that it brings, but the admin costs of doing that are pretty small.

Q91 Mark Lazarowicz: The report from the SDC tells us that “a clear stance on carbon neutrality and carbon offsetting is still lacking.” What do you say to that?

Mr Hutchings: On carbon offsetting, first, I think we have clarity on that point, in terms that offsetting has a legitimate place in reducing carbon emissions. But there is a hierarchy here, and as I was saying earlier on, we very much see that measuring carbon emissions and taking action to abate those emissions through energy efficiency measures, for example, are clearly the first steps in reducing carbon emissions, but offsetting does have a role to play on emissions that essentially are unavoidable; for example, international travel, where there are not any mechanisms to reduce emissions from that,

² Note by Witness: £45 million represents the total value of the low carbon buildings programme, not the amount of additional money committed to micro-generation.

offsetting has a part to play. On neutrality, you will probably be aware that we are currently consulting on a definition of what carbon neutral means. The outcome of that consultation needs to be fed into the SOGE review process. It is clear that there is not a common use of the term “carbon neutral”. You see it used in adverts and by businesses as well as the public sector. We want to provide a clear steer on the correct use of the term “carbon neutral” because, as I say, it has been used in various different forms which are not consistent.

Q92 Mark Lazarowicz: On the issue of carbon offsetting, specifically, clearly there are areas where the ability to reduce is limited. International travel is one route, although it is not entirely absent there either. Leaving aside those difficult areas, can you give us some evidence that in other areas offsetting is very much being treated as the last resort, very much at the bottom of the hierarchy, rather than something which is being used too easily?

Mr Hutchings: In the performance against SOGE targets there is not provision for offsetting. That is one example.

Q93 Mark Lazarowicz: Are you saying it cannot be met by offsetting?

Mr Hutchings: In terms of the carbon reduction target within SOGE, there is not provision for using offsetting against that. As I say, offsetting does have a part to play.³ Where all other action has been taken that can reasonably be taken for value for money, then we see a role for carbon offsetting, but that should, as I say, be down the list of actions to be taken.

Q94 Mark Lazarowicz: Can you give an estimate of the potential cost of the use of offsets to meet the target for carbon neutrality in 2012 and more generally?

Mr Hutchings: Under the Government Carbon Offsetting Fund, the GCOF arrangements, we are in the process of procuring the second round of GCOF 2009–12, which is a central government fund for offsetting travel and so on. We are, in setting up the new arrangements, providing a facility to offset against the 2012 target, but we are placing a cap on the offsetting of something in the order of three million credits. I think the SDC reported that they estimate something in the order of two million credits to meet the 2012 carbon neutrality target. However, I think it would be worth pointing out that since that target was announced in 2006 a number of other factors have come into play. For example, I mentioned the consultation on carbon neutrality. Exactly what does it mean? Since then, it is clear that different interpretations have been applied to that, so we want to be consistent on that. Other policies have come along as well. Carbon budgets will play a

role in this, as will the carbon reduction commitment from 2010. When we look across the mix, we need to consider what is the cost-effective way of meeting that 2012 target, and, as I say, that does need to form part of the SOGE review.

Q95 Mark Lazarowicz: On that point about the carbon reduction commitment, you heard, I presume, the discussion with the SDC witnesses about the possibility that that could result in public sector organisations paying large sums of money for the private sector because we are not fully prepared. How would you respond to that?

Mr Hutchings: The first thing to say is that the CRC is designed to be broadly revenue neutral to the Exchequer overall. The funds raised through the purchase of credits in the CRC will be recycled and repaid to participants according to their performance in the league table. CRC is about driving performance. I think the public sector is showing leadership. First, the central government estate will be covered by the CRC regardless of the usage of energy consumption, whereas for the private sector there is a threshold of six million hours.⁴ The other point to make is that we are also including the wider central government estate, the NDPBs’ agencies within the CRC. Yes, it is going to be a challenge for the public sector to perform well against the private sector, but we believe that the CRC will drive that performance. We are also helping the public sector to perform well through the provision of services such as the Carbon Trust carbon management scheme, and, also, the £65 million announced in the Budget for invest-to-save projects which we are working up to help the public sector on now. Again energy efficiency measures will play a key part of that. Of course, it is worth bearing in mind that, as performance of the public sector improves, that does bring savings in reduced energy bills which can be used for frontline services.

Q96 Mark Lazarowicz: Can you put any figures at this stage on the level of carbon emissions that could be generated as a result of what you are doing across government?

Mr Hutchings: We estimate the CRC will bring four million tonnes of CO₂ savings per year by 2020 across the whole of the CRC scheme.

Q97 Mark Lazarowicz: What is the trajectory for meeting that by 2020? Will it be at the end or how far will it be reflected throughout the period?

Mr Hutchings: The first three years of the CRC are an introductory phase where we are not going to have a cap on emissions credits, but after year three we will be introducing a cap. I guess it will be the size of that cap which will determine the trajectory to that four million tonnes, so I cannot give you an answer on what the trajectory looks like. It will very much depend on the size of the cap that we introduce after the introductory phase.

³ *Note by Witness:* The witness was referring to offsetting not having a part to play on carbon emissions from activities not caught by the SOGE targets.

⁴ *Note by Witness:* For the private sector there is a threshold of 6,000 MWh, not six million hours, as indicated during the evidence session.

5 May 2009 Mr William Jordan, Mr Bill Stow and Mr Trevor Hutchings

Q98 Mark Lazarowicz: That is to be determined at what point?

Mr Hutchings: I think it is worth pointing out that of course the scheme has not started yet. It starts April 2010. During that introductory phase this is one of the issues that we will need to look at: what is the size of the cap.

Chairman: We have got to just past midday, so we are going to have to call it a day at this point. There might be a couple of other points that we would like to clarify in writing with you subsequently.⁵ Thank you very much for your time this morning.

⁵ See Ev 25

Supplementary memorandum submitted by the Office of Government Commerce (OGC), Cabinet Office, and Department of Energy and Climate Change (DECC)

Even your own Greening Government ICT Strategy acknowledges its lack of ambition. Since the publication of the Strategy, what steps have you taken to drive urgent, radical solutions to rising emissions from ICT use?

Government does not accept the premise of this question. Our strategy has ambitious, even world-leading targets and our actions back up that ambition. The UK Government is only the third Government in the world to set a green ICT strategy, and the first to mandate specifications, with all Government Departments mandated at CIO Council level to deliver at least ten of the 18 recommended actions from the strategy. The CIO Council is the body with responsibility for all aspects of ICT, including its sustainability and environmental impact. Since publication, the majority of Departments have taken action and are planning more in the future.

Government is driving down the carbon consumption of its computers, for example:

- The Crown Prosecution Service has decided to replace computers and printers every five years rather than three (circa 9,500 and 2,500 respectively) which will drive significant savings (circa £2.35 million). These savings are being reinvested in other greening government ICT programmes such as video conferencing.
- The Department for Children, Schools and Families has started an audit and rationalisation of servers within the Department. They have decommissioned 14 servers with another 14–15 due to be removed shortly. They are in the process of virtualising their data centres and will be introducing a new Storage Area Network later this year which will improve server capacity and will help to deliver server virtualisation.
- The NHS has implemented automated software to switch computers off after business hours and is running a pilot for a fully consolidated print service across the department.

Such initiatives, amongst others, will all contribute to driving down the carbon cost of how Government does business. Further strategies such as increasing the use of video and audio conferencing or tele-working are being reviewed for savings on business travel. Government is continuing to look for new opportunities to reduce its carbon footprint and the Greening Government ICT Strategy is an important contributor to that process.

What evidence can you show us that you have responded to this Committee's recommendation that the Greening Government ICT programme should be one of the highest priorities of the Chief Sustainability Officer (CSO)?

The responsibility for the development of the direction and future priorities for the Greening Government ICT strategy lies with the CIO and CIO Council. The delivery of the priorities identified by this strategy is through the actions of individual departments. Both the development and delivery of the strategy is supported by the pan-Government collaborative category, which works to ensure that Government procurement of ICT delivers improved value for money and sustainability outcomes.

In its response to the Committee's recommendation that the Greening Government ICT programme should be made one of the highest priorities of the CSO, the Government undertook that the CSO would work on this agenda with the CIO Council and the Cabinet Office, which lead the work on Greening Government ICT. The CSO has accordingly worked over the past year to support the CIO and the Greening Government ICT programme, and will continue to do so, going forward, with particular focus on the role of pan-Government collaborative category strategy for the procurement of ICT for which the Cabinet Office and the Office for Government Commerce have joint responsibility.

An example of the action taken by the collaborative category in support of this strategy has been the work with the Department of Culture, Media and Sport to develop a framework to enable departments to access "Nightwatchman" IT power management technology.

To date seven central government departments and a number of local authorities and bodies within the Scottish Government have accessed this framework, equating to savings of £200k in licence cost savings and over £450k in energy savings. The seven departments are the Department for Business, Enterprise and Regulatory Reform, Department of Culture, Media and Sport, Department for Transport, Department of Health, Department for Innovation, Universities and Skills, Export Credit Guarantee Department, and the Home Office.

PAN-GOVERNMENT TRAJECTORIES AND CARBON MANAGEMENT AND BEHAVIOUR CHANGE PLANS

The pan-government trajectories for each of the five target areas are developed through the consolidation of baseline and performance data for each department, and the consolidation of the activities and plans identified by each department to meet their own targets. In doing this departments are asked to identify which broad category their plans fit into, for example, “Behaviour Change” and “Carbon Management”.

“Carbon management” in this context refers to an organisation developing a strategic framework for managing its carbon emissions as part of its ongoing business practice. In many cases, this will involve working with the Carbon Trust through their Carbon Management Programme to systematically prioritise and implement projects with the greatest business and carbon impact. The departmental projects identified under this category heading, which are forecast to deliver a reduction of 121,478 tonnes of carbon dioxide, are:

<i>Department</i>	<i>Initiative</i>
HMRC	Implement carbon management programme to roll out carbon reduction initiatives and lifecycle replacements and work with to monitor impacts
DfT	DSA—Carbon Management Programme
DfT	DVLA—Carbon Management Programme
DfT	VOSA—Carbon Management Programme
DfT	DfT—Energy Efficiency Programme
DH	Renew Building Management System in Richmond, Wellington and Skipton Houses (as part of Carbon Trust programme)
DH	Carbon Management Programme for DH and its ALBs
MOD	Carbon Trust Standard
MOD	Implement recommendations from Energy Audits on Top 220 sites
HMT	Implementation of Carbon Trust recommendations

“Behaviour change” in this context refers to an organisation undertaking an activity which aims to engage and raise awareness amongst its staff and contractors in order to influence their behaviours with respect to energy, waste and/or water management. The departmental initiatives captured under this category heading, which are currently forecast to delivery a reduction of 11,834 tonnes of carbon dioxide, are:

<i>Department</i>	<i>Initiative</i>
HMRC	Raising awareness to change staff and contractor behaviours
Defra	Behaviour change
CO	Public Sector Flex (use of ICT to enable flexible working)
HO	General savings measures from staff awareness and switch off campaigns
DH	Review of 24 hour guarding in Skipton House and Wellington House (will mean Passive InfraRed Sensor (PIR sensor) lighting systems will not be activated during the night)
DH	Introduction of print quotas
FCO	Annual good housekeeping campaigns save 2%
FCO	Reduce heating temperatures by 2C
LOD	Switch off campaign
LOD	Reduce heating halls/toilets
LOD	Minimising Wasted Energy
ONS	Implement Flex
HO	General savings measures from staff awareness and switch off campaigns

RENEWABLE ENERGY ON THE PUBLIC SECTOR ESTATE

The Department of Energy and Climate Change (DECC) is currently considering what more needs to be done on the use of renewables on the Government Estate. DECC and the Centre of Expertise in Sustainable Procurement (CESP) within OGC have commissioned the Sustainable Development Commission (SDC) to consider how public sector procurement can help deliver low carbon and renewable energy policy. This project will help Government to consider how the public sector can lead by example by understanding and improving its energy carbon footprint, stimulating innovation, technology uptake and behaviour change. The findings of the project will be considered as part of the Renewable Energy Strategy which will be published later this year.

An additional £45 million will be made available to the Low Carbon Buildings Programme (LCBP) and funding will be split across the next two years. This will provide additional support to small scale on-site energy technologies until Feed-in-Tariffs (FITs) are introduced in April 2010 and will provide support for renewable heat until the Renewable Heat Incentive (RHI) comes into effect in April 2011. How the £45 million will be disseminated is to be decided in due course, after discussions with DECC's stakeholders, but there will be ongoing support for the public sector.

3 June 2009

Written evidence

Memorandum Submitted by the Association for the Conservation of Energy ACE

INTRODUCTION TO THE VIEWS OF ACE

The Association for the Conservation of Energy is a lobbying, campaigning and policy research organisation, and has worked in the field of energy efficiency since 1981. Our lobbying and campaigning work represents the interests of our membership: major manufacturers and distributors of energy saving equipment in the United Kingdom. Our policy research is funded independently, and is focused on three key themes: policies and programmes to encourage increased energy efficiency; the environmental, social and economic benefits of increased energy efficiency; and organisational roles in the process of implementing energy efficiency policy.

SUMMARY

- Radical and urgent steps are needed to ensure that Government meets its own carbon reduction and energy efficiency targets.
- Current targets are merely set as aims or goals and should be made mandatory.
- Government has failed to introduce new requirements for the procurement of energy efficient public sector buildings pursuant to Article 5 of the Energy Services Directive.
- All targets should be extended to cover Executive Non-Departmental Public Bodies, in addition to Government Departments and Executive Agencies.
- Display Energy Certificates (DECs) should be widened to cover all public buildings and the Department for Communities and Local Government (DCLG) should share this information with the Office for Government Commerce (OGC).
- The public sector must acknowledge its capacity to transform the wider commercial property market.
- Targets must be met through improving the energy efficiency of the Government estate and not through offsetting.
- The public sector must lead by example to demonstrate unequivocally that it is serious about leading the way in the fight against climate change.

The role of the Centre for Excellence in Sustainable Procurement and the Minister for Transformational Government in co-ordinating and driving forward activity across Government.

1. In September 2008 the Community Energy Saving Programme was announced, also with the initials CESP; we find it extraordinary that Government is running two programmes with the same initials as this will inevitably be very confusing.

2. Nevertheless, the Association welcomes the creation of a central body to take on sole responsibility for meeting sustainability targets and agrees that a Cabinet Office Minister should be responsible for ensuring that Government meets its sustainable operations and sustainable procurement targets. This will help to overcome the problem of fragmentation of policy responsibility amongst Government bodies for improving environmental and sustainability performance.

3. However, the Sustainable Operations on Government Estate (SOGE) targets are merely aims or aspirations and unless these targets are made mandatory and a duty placed on the responsible Minister for reaching them, the Association has limited confidence that they will be met.

The Extent to which Government Commitments and Mandated Targets are being Enforced

4. The Sustainable Development Commission (SDC) Annual Report of 2007, *Sustainable Development in Government*, highlights that individual Government departments are not on track to meet their SOGE targets and nearly two-thirds of departments are not on track to meet their own 12.5% carbon emission reduction target by 2010–11¹

5. If the Government were on track to meet its target to reduce carbon emissions by 12.5% by 2010, Departments should have reduced emissions by 1% per annum—which would have meant an 8% reduction by 2007. However, the actual reduction achieved across the Government estate was only 4% in total.²

6. The energy performance of departments varies widely with 17 out of 21 Government departments not on track to meet their energy efficiency targets and 13 out of 21 Government departments not on track to meet their carbon reduction targets.³ The Environmental Audit Committee (EAC) themselves has voiced their concern that the “trajectory (for carbon emissions) is going so dramatically in the wrong direction”⁴

¹ Sustainable Development Commission, “Sustainable Development in Government 2007”, March 2008

² Ibid.

³ Ibid.

⁴ Making Government operations more sustainable: A progress report, Seventh Report of Session 2007–08, 1 July 2008

The reasons behind the continuing poor progress on reducing carbon emissions from offices

7. ACE believes that the reason for this lack of progress is that currently all targets are merely set as aims or goals and it is not mandatory for targets to be met.

8. The Government should seize the opportunities provided by Article 5 of the Energy End-Use Efficiency and Energy Services Directive to introduce requirements to procure energy efficient public sector buildings. Article 5 of the Directive requires the public sector in member states to fulfil an exemplary role in driving forward energy savings. In particular member states must ensure that energy efficiency improvement measures are taken by the public sector, focusing on cost-effective measures which generate the largest energy savings in the shortest span of time. To do this member states must introduce at least two energy efficient public procurement measures from a list of six eligible measures.

9. Instead of seizing these opportunities the UK Government has deliberately opted to fulfill its obligations under Article 5 merely by implementing requirements to purchase energy efficient equipment and vehicles. It has opted not to introduce new requirements for the procurement of energy efficient public sector buildings, the single biggest energy user. We believe this is a huge missed opportunity to improve on the poor energy performance of public sector buildings. We would urge the Government to revisit the potential identified under Article 5.

10. The Government has itself identified⁵ that strong leadership on the energy standards of the buildings it purchases, leases or procures can start to transform the wider commercial property market. This is an extremely important and perceptive statement and recognises that the public sector is always the preferred tenant by any landlord for the simple reason that it always (eventually) pays its bills and never goes bankrupt. Few landlords wish to rule their properties out from consideration by this preferred tenant, and will be prompted to improve their properties in order to encourage such tenants to consider their properties.

11. In the 2004 Energy Efficiency Action Plan, the Government committed themselves to “procure only buildings in the top quartile of energy performance” and to widen this to the rest of the public estate as soon as practicable.⁶ This commitment has been restated several times over the last four years—most recently in the 2007 Energy White Paper.

12. ACE promoted a Private Members’ Bill in the last Parliamentary session which aimed to give statutory effect to this “top quartile” commitment. The provisions of this Bill are now enacted in the Climate Change Act 2008. Section 86, Report on civil estate, requires Government to report on the progress made in ensuring that buildings that become part of the civil estate fall within the top quartile of energy performance. If a building does not fall within the top quartile of energy performance the report must state the reasons why the building has nevertheless become part of the civil estate.

13. The OGC is responsible for ensuring that buildings are procured in the top quartile and the Association hopes that this commitment will be met and that the EAC will track progress on this initiative. This will not only reduce emissions from public sector buildings but will help transform the wider property market by creating demand for low carbon buildings. Government will be much better able to monitor this commitment as the performance of the building stock is easily known through DEC’s.

14. Another reason behind poor performance is that energy costs form a very small part of departmental budgets. Facilities managers are far down the hierarchy and have little control over budgets.

15. It is vital that as much information as possible on the energy performance of public buildings is in the public domain. DEC’s displaying clearly the actual energy usage of buildings will perform this function. The information provided will be examined every year and this will be a great advantage as for the first time we will have an objective method of analysing how wasteful our publicly funded buildings are. We would commend the Scottish executive’s example of using DEC’s for all public buildings including those substantially smaller than 1000m².

16. There are currently 17,000 public buildings which are required to have a DEC. However the OGC’s role is merely to look at buildings in the central Government estate, only around 1,500 buildings. ACE strongly believes that the OGC remit should be widened to cover all public buildings.

17. The use of DEC’s will also help circumvent the problems the EAC encountered in the past when trying to compare different Government Departments. Now that energy performance is directly related to buildings, comparisons can be made much more easily and provide a truer picture.

18. This too will avoid situations where distorted pictures of performance have been reported, such as last year when Government reported a 4% decrease in carbon emissions which was due to the privatisation of part of the defence agency; if the Ministry of Defence was excluded emissions went up by 22%.⁷

19. The relevant statutory instrument has led to DCLG holding the details of the DEC ratings for all Government buildings but not being able to share this information with any other Government department. This has created the ludicrous situation where, for instance, the OGC is having to gather this same information again from scratch. ACE strongly recommends that DCLG not only shares the information of the DEC ratings with the OGC, but with the rest of the public sector, in order to help spread best practice.

⁵ Energy Efficiency: The Government’s Plan for Action, DEFRA, April 2004

⁶ Ibid., pg 47

⁷ Sustainable Development Commission, “Sustainable Development in Government 2007”, March 2008

20. ACE believes that public sector sustainability targets should be extended to cover all Executive Non-Departmental Public Bodies. This would mirror the scope of the Common Minimum Standards for the Procurement of Built Environments in the Public Sector, which quite clearly covers Non Departmental Public Bodies as well as Government Departments and Executive Agencies.

21. The Department of Work & Pensions has recently entered into a Private Finance Initiative (PFI) to manage the monitoring of emissions from their offices. They have sought to publicise the results and have reduced energy consumption by 10.8% in 2008 due to improved monitoring and targeting.⁸ ACE recommends that other departments follow suit and ensure that their energy use is made available to the public.

The reasons for the wide variations in departmental performance

22. ACE believes that the reason behind wide variations in Departmental performance is due to the relative importance attached to meeting these targets by the relevant Ministers and civil servants within each department. The SOGE targets set by Government are not overly ambitious, and could be easily attained as long as concerted efforts are made and programmes are put in place as soon as possible.

23. It is therefore a matter of great concern that Eland House, the headquarters for DCLG, has been given an F rating. The Department of Energy and Climate Change, responsible for implementing DECAs, has one of the very worst of the G ratings yet recorded.

The gap between the level of ambition set for the UK by Government policies and the level of ambition the Government sets itself within the SOGE framework

24. The targets for offices are broadly in line with the targets as set out in the Climate Change Act 2008 of reducing carbon emissions by 30% by 2020 relative to 1990 levels. However, ACE believes that the Government should be leading by example and should therefore exceed the UK targets, in order to demonstrate unequivocally that it is serious about leading the way in the fight against climate change. By setting its own house in order, it can encourage others to do so from a position of strength.

25. Michael Kelly, the Chief Scientist at DCLG has said that the amount of carbon emissions from homes have fallen from 154 to 147 million tons of Carbon from 1990–2005 which is a 4% drop. In order to reach the Government's target of a 26% reduction in emissions from 1990 levels, domestic emissions have to come down to 114 million tonnes of carbon—this would be a 24% drop. This means that in order to reach the target there will need to be six times the amount of activity as has been happening over the last 15 years. We have every reason to believe that the same six—fold level of activity is needed in the public sector.

Whether attainment of SOGE targets at the level at which they are currently set would result in sustainable operations

26. According to the latest SDC report energy efficiency across the Government estate (excluding MOD) has worsened by 3.3% over the past year

27. ACE believes that the target for departments to increase their energy efficiency per m² by 15% by 2010 and by 30% by 2020, although not very ambitious, is sufficient in terms of keeping to a trajectory towards an 80% cut in emissions by 2050, but it must be achieved.

28. Because this target measures energy use per square meter it can provide a misleading picture. The SDC has pointed out that a department could be seen to be becoming more energy efficient when in reality they have just increased their floor area. We greatly sympathise with the EACs own proposal that the energy efficiency target should be replaced with a target for reducing absolute levels of energy use.

29. Government has committed the Central Government's office estate to be carbon neutral by 2012. ACE is concerned that the majority of these carbon emissions will merely be offset and that little effort will be made to improve the energy performance of the buildings. Work needs to be done now to set the UK on a low carbon path of development. This will ensure that we start an early transition to a low carbon economy, rather than allow ourselves to be locked in to a high carbon path which will be virtually impossible to break out of in the years to come. We strongly urge Government to step up their progress to ensure that this target is met through improving the energy efficiency of central Government offices and the use of local low carbon energy, not through expending taxpayers' money on dubious offsets.

The potential for interdepartmental carbon trading

30. The concept of keeping track of carbon trading between several different departments could turn into an extremely complicated and overly bureaucratic system. Much of Government is already involved with the forthcoming Carbon Reduction Commitment. ACE advocates that departments choose to reduce their emissions rather than trying to trade their way out of it.

⁸ <http://www.defra.gov.uk/environment/climatechange/uk/business/crc/pdf/crc-casestudy-dwp.pdf>

The use of credits and offsetting in achieving targets

31. Given the EAC's concern with the validity of some current offset arrangements, particularly outside the UK, the Association would not advocate the use of credits and offsetting in achieving targets. If offset funds are created, it would make sense for these to be paid into, for instance, a Warm Front scheme.

32. Long term investment in increasing the energy performance of buildings in the UK is an investment that will bring about savings in the future. It will reduce energy bills in the long term and reduce carbon emissions. The UK should start focusing policies and resources on using energy more efficiently in all sectors of the economy and money should rather be spent on decarbonising our energy systems than paying other countries to enable us to carry on polluting.

The planned review of the SOGE framework

33. ACE agrees that the present energy efficiency and carbon reduction targets are just about adequate. However we cannot, from a climate change point of view, afford for these targets not to be met. ACE recommends that the Government first meet these targets before performing endless reviews.

34. Over the last 20 years there have been at least seven House of Commons Select Committee reports examining energy use in the public sector. One of the complications is that the reports in question are seldom seen across Whitehall, but tend to be "pigeon holed" with the relevant Department—presumably now the Minister for Transformational Government. Given the demise of the green Ministers, it is unclear who else in Government will be alerted to this report. Who will be reading this report, and more importantly who will be implementing its recommendations?

35. Although Government is improving slightly, the improvements are a far cry from what is needed to ensure that we reach an 80% reduction in carbon emissions by 2050. The public sector needs to take radical and urgent steps to ensure that firstly its own targets are met so that it can then set an example to other sectors.

April 2009

Memorandum submitted by NG Bailey

1.0 SUMMARY OF KEY POINTS

1.1 The government estate has a pivotal role in driving innovation and delivering new approaches to property management and development that demonstrate that it is possible to achieve considerable CO₂ reductions. This will not only be vital to demonstrate the methods and techniques required to achieve this, but must also demonstrate to those outside of government that it is in their financial interest to reduce their carbon emissions and that the investments made in the estate yield financial savings and higher asset values in the context of an emerging low carbon economy, which adheres to the 'polluter pays' principle. In our view while there have been some notable individual improvements in reducing carbon emissions from government offices, the UK government must act more rapidly to achieve the SOGE targets.

1.2 To achieve carbon reductions NG Bailey considers the following points to be of key importance to the government estate.

- Engage building services engineers and ICT professionals in the early stages of any new build, retrofit, or refurbishment project. It is only through the engagement of teams which understand the overlapping impacts of technologies in buildings that overall low energy solutions can be achieved.
- Engage building occupants to ensure building services and ICT solutions are fit for purpose and that designed solutions are not "sabotaged" by occupants.
- Improve lifecycle costing methods. These should factor the future impact of financial instruments which are likely to help shape a low carbon economy (eg Feed in Tariffs, Carbon Reduction Commitment).
- Carbon offsetting must be a last resort. Offsetting decisions must not influence or disincentivise investment decisions in energy efficiency measures.

2.0 EARLY INVOLVEMENT OF BUILDING SERVICES ENGINEERS AND ICT PROFESSIONALS IN NEW BUILD AND REFURBISHMENT PROJECTS

2.1 As stated above the early engagement of building services and ICT staff can yield significant benefits when designing and specifying low carbon energy efficient building solutions. Our experience shows that this can yield significant carbon reductions and long term cost savings.

2.2 NG Bailey chose to invest £5.5 million in a high quality, sustainable offices for its new Scottish Headquarters, Solais House (Gaelic for light) to demonstrate to CEOs, landlords, contractors and the construction industry that standard plan office buildings can be both sustainable and financially justifiable. The project objectives were:

- To achieve an Energy Performance Certificate grade A.
- To examine the commercial viability of BREEAM excellence in standard office buildings.
- To deliver the project on time.
- To achieve BREEAM “Excellent” status.

2.3 The opportunity to create a bespoke architectural concept building was not available to us. The office was constructed in order to merge two offices in Glasgow and Edinburgh. We wanted a workspace for 150 staff, between both locations, that was also nearer to key customers in the area. We wanted the new office to be as sustainable as possible, but recognised that most importantly our employees deserved a quality space to work in and an appealing location. The chosen business park’s ethos and provisions for tenants were very good, however the location presented a number of challenges from a sustainability perspective including the lack of public transport and planning restrictions imposed by the developer.

2.4 Early engagement of building services engineers held the key to understanding whether design aspirations could be met and that chosen technologies and solutions would work together.

2.5 One example of the interconnectedness of the approach is illustrated by the eventual solution that was delivered to reduce the direct and indirect energy consumption used by the offices’ servers. The original specification demanded server capacity that would require 6kW of electricity. This not only required its own electrical supply but also provided a heat output which would require air conditioning (an additional electrical demand), to maintain the temperature within the parameters required to ensure the servers function. The multi disciplinary project team were tasked with reducing the power requirements of the servers, without impacting upon functionality, and to create a low energy cooling solution sized to ensure that server performance was not compromised.

2.6 It was possible to reduce the type of equipment required through thorough evaluation of the way that technology is both used currently and likely future requirements. ICT professionals redesigned the server solution so that the system required only 1.4 kW, while meeting all functionality requirements. In addition to this energy reduction, a room temperature management solution was designed, which incorporated both “free” cooling from the onsite ground source heat pump and a new technology—phase change materials (PCM), which are integrated into the plasterboard walls. PCM effectively acts to add thermal mass by changing state (at a molecular level), at certain temperatures. In effect the material absorbs heat from the air at higher temperatures and releases heat when temperatures reduce. This acts so as to balance the room temperature. When the servers are in maximum operation during working hours the PCM “absorbs” the heat from the environment, thus providing cooling, and at weekend and evenings when the temperature is lower as the servers are not in operation, this heat is released by the PCM. The room is monitored by the building management systems and since the office was opened the temperature has never exceeded 26°C. This means conventional server rooms can be designed with a lower energy requirement for both ICT equipment and temperature control. As a result the energy consumption, and associated carbon emissions, are significantly reduced.

2.7 This solution is not a single technology solution and is only possible with an investment in a solution which involves both the early and continuous involvement of building services engineers and ICT professionals.

3.0 ENGAGEMENT OF OCCUPIERS

3.1 In order to ensure energy reduction objectives are met it is necessary to engage occupants and identify how occupant behaviour might deliver energy reduction, or, inadvertently sabotage efforts. In both the construction and occupation phase of Solais House, two taskforces were formed. The “project executive team” (construction) and “Solais House user group” (occupation) were responsible for making sure that every aspect of the construction and occupation of the office were tracked. The groups met on at least a monthly basis and provided a focal point for every element of the project.

3.2 Staff engagement was critical in being able to gain the support and consensus view on the way the building will be operated and controlled by occupants.

3.3 The intention was to deliver the same, if not enhanced, functionality to occupants through innovative measures. One illustrative example is the introduction of four Multifunction Devices (MFD), into the office in place of a much higher quantity of, desktop printers which were both energy and resource inefficient. Staff were initially resistant to this proposal as, in their view, the previous solution gave time-pressured individuals greater convenience and privacy to print sensitive documents. The “user group” provided a two-way engagement process which explored how staff buy-in to a new system could be achieved. Such buy in has

been critical as there is a moratorium on staff procuring or introducing additional desktop printers. To date this has been universally adhered to and ensures that energy consumption and printer consumable costs and waste materials are minimised.

3.4 Technological solutions to carbon reduction require occupants to use technology so as to reduce the “unregulated” energy demands of a building.

4.0 ENHANCE COST JUSTIFICATION PROCESSES

4.1 One of the fundamental barriers to the introduction of energy efficient refurbishment or build is where a decision is taken on the premise of an energy efficiency measure but the cost justification does not meet pay back periods specified.

4.2 This is particularly relevant where cost justification models are based upon current energy costs. The opportunity to influence a building design may require additional capital spend in the short term but can yield significant cost savings. Cost justification models for Solais House demonstrate that the additional investment of 850k above standard design will result in a reduced energy cost of £3.3 million during its lifetime. In our view this calculation does not represent the actual financial benefit that will be realised as the realisation of a low carbon economy will inevitably reward low carbon buildings with higher asset values and lower operational costs. However there are insufficient models which factor in the impact of the regulatory and market changes that are likely to be demonstrated in a low carbon economy, such as the influence of carbon pricing (Carbon Reduction Commitment), incentives to produce renewable energy (Feed in Tariffs), or the impact of Energy Performance Certificates (EPC) or Display Energy Certificates (DEC) ratings on market asset values. The development of a universally recognised payback model may facilitate more investment decisions.

4.3 There are some emerging calculations, such as the Marginal Abatement Cost Curve, which factor the cost of carbon for organisations covered by carbon trading schemes. Therefore, the potential for interdepartmental carbon trading would appear to have some merits as long as the price for carbon enables greater investment in carbon reduction measures. However an appropriate and easy to use cost evaluation tool should be created to allow all proposals to be evaluated within this context.

5.0 CARBON OFFSET AS A LAST RESORT

5.1 While carbon offsetting will enable the government estate to achieve carbon neutrality in 2012 our view is that this expenditure should not detract from investment in energy efficiency measures.

April 2009

Memorandum submitted by the Combined Heat and Power Association (CHPA)

OVERVIEW OF THE COMBINED HEAT AND POWER ASSOCIATION

1. produced just over 19 gigawatt hours of GQCHP electricity. This represents around 0.1% of the 28,677 gigawatts electricity produced in total by GQCHP plants in the UK, in 2007. Early information from the SDC as part of its annual The CHPA is a long-established not-for-profit trade association that acts as a focus for the combined heat and power (CHP) and community heating industry in the UK, providing support across our membership and working to establish and maintain the strong and stable market conditions necessary to grow the application of these technologies. The CHPA has over 90 members and represents a significant proportion of the total CHP capacity within the UK. Our membership comprises of CHP developers (small and community scale, large scale industrial and utility companies), end users, suppliers, public sector bodies and professional services providers.

WHAT IS COMBINED HEAT AND POWER (CHP)

2. Combined Heat and Power (CHP) is a highly efficient process of energy conversion, which maximises the value of the energy that can be provided from a given quantity of fuel. The efficiency of the CHP or “cogeneration” process means that the technology has the potential to deliver major benefits through savings in fuel consumption and reduction in carbon emissions.

CHP ON THE GOVERNMENT ESTATE

3. Target E4, requires Government Departments to source at least 15% of electricity from good quality CHP by 2010.

4. Whilst there is a considerable disparity between Departments, reports from both the Sustainable Development Commission (SDC) and the review by the NAO Office indicate that as a whole the Government is failing to meet its Framework for Sustainable Development targets. This is even more disappointing given that the current target allows for government to source the electricity necessary to meet its targets from remotely generated CHP, but requires no physical or local relationship between the generating plant and the Government consumer.

5. As the CHPA pointed out to the Committee previously, this situation fails to leverage the powerful position of the Government estate as a host for CHP or as a cornerstone for the development of community heating schemes. However, the Government's response to the EAC inquiry was silent on this point.

6. The CHPA note that Tim Yeo MP, Chair of the EAC to ask the Secretary of State for Business, Enterprise and Regulatory Reform "What proportion of the electricity consumption that the Government sources from CHP is obtained from CHP stations located on the Government estate". The answer, presented by Joan Ruddock, provides the most current update of the Government's progress in relation to target E4 and how many CHP's are currently in operation on the Government estate.

7. "There are 10 CHP schemes located on the Government estate registered with the Government's CHP Quality Assurance programme (CHPQA). In 2007-08 these 10 schemes Sustainable Development in Government (SDiG) report indicates that total CHP generated electricity consumed on the Government estate in 2007-08 was 311 gigawatt hours. This would mean that the 19 gigawatt hours of GQCHP electricity generated on the Government estate represents around 6% of the total CHP electricity consumed on the Government estate in 2007-08".

DISTRICT HEATING AND PUBLIC PROCUREMENT

8. The CHPA strongly supports the view that the role of the public estate is central to the development of heat networks and on-site CHP.

Rationale:

The public estate can contribute to the viability of CHP in a number of ways:

9. Provision of "anchor heat loads". Provision of long-term public sector contracts for the provision of heat (and power) can help to secure borrowing for network investments.

10. Growth to the industry in the short-term. An absence of investment elsewhere in the economy, owing to the recession, leaves the public sector as an engine room for growth in a technology that offers long-term strategic benefits to the wider economy.

11. A network for the transfer of good practice. As CHP and community heating become recognised as best practice in the public sector, there is an established network of professionals that can help to promote their experience for maximum effect.

12. This position should be reinforced by a proactive public procurement policy for the supply of heat from CHP and heat networks. This could be achieved by extending Target E4 to require departments to source a proportion of heat from low carbon sources.

Rationale:

13. A public procurement policy for heat can provide an effective alternative form of investment support during a period in which more traditional forms of direct public investment might be constrained owing to limits on further public borrowing.

14. A secure government contract, for energy services that would in any case be required, has the potential to secure private sector debt, or potentially alternative sources of funding for instance through bond issues.

April 2009

Memorandum Submitted by the Environment Agency

SUMMARY

The Environment Agency welcomes the opportunity to submit evidence to the Environmental Audit Committee's inquiry on "Greening Government".

We are committed to reducing the environmental footprint of our own operations. We have set ambitious targets and are making good progress towards meeting them. We were represented on both the Government's Sustainable Operations Board and the Sustainable Procurement Task Force during its development phase.

We believe Government must be a leader in embedding sustainability within its own operations. Government procurement accounts for almost half of GDP, providing significant opportunities to reduce the sustainability impacts of suppliers. This leverage should be used to deliver positive environmental outcomes and Government suppliers should be encouraged to offer more sustainable solutions to their private sector customers as well.

The high scores of some Departments reported in the Sustainable Development Commission's *Sustainable Development in Government* assessment, and our own performance, show that delivery of the Sustainable Operations on the Government Estate (SOGE) targets is achievable.

Our main points are as follows:

- Performance against SOGE targets should be a priority for Departments and other Government bodies.
- The SOGE targets should be reviewed in the light of policy changes and more stretching UK domestic targets. We also believe there is scope for the target achievement dates to be brought forward.
- An interdepartmental carbon trading scheme should be approached with caution. Many central Government departments will participate in the Carbon Reduction Commitment and will have the facility to trade within that.
- Achieving carbon reductions from offices are definitely achievable as demonstrated by our own performance.

1.0 Introduction

1.1 We welcome the opportunity to submit evidence to the Environmental Audit Committee inquiry on “Greening Government”. The review of SOGE targets and the opportunity to “raise the bar” could help to inject pace into the delivery of government objectives for sustainable operations. Our comments on the specific areas identified are set out below.

2.0 *The role of the Centre for Excellence in Sustainable Procurement and the Minister for Transformational Government in co-ordinating and driving forward activity across government.*

2.1 We believe the Centre for Excellence in Sustainable Procurement (CESP) could have been established more quickly and that the challenge is now to inject pace. CESP has explained that their role is to co-ordinate best practice policy, strategy and processes that exist within government. There are limited resources in the CESP team and their success will depend upon the ability or willingness of Departments to embrace and implement best practice. CESP need to retain specialists in sustainable procurement who have procurement experience and can communicate effectively with practitioners.

2.2 To facilitate the sharing of best practice we have made a number of our sustainable procurement guidance documents publicly available, including, for example, our sustainable commodity guidance and our timber policy. We would encourage other parts of Government to do the same.

3.0 *The extent to which government commitments and mandated targets are being enforced.*

3.1 SOGE data returns are currently voluntary for NDPBs. We would welcome the SOGE return being made mandatory for all NDPBs.

3.2 Overall performance against the Mandated Mechanisms is low. Many new builds are not achieving the BREEAM “excellent” standard and sustainability appraisals of office relocations are not being carried out. The Environment Agency aims to achieve these mandates for all relevant projects within our recently approved National Accommodation Strategy. It is our view that the mandates and targets are not well enforced and we would welcome more rigorous challenge.

3.3 We believe departmental targets and mandates should be monitored by the Office of Government Commerce or the Sustainable Development Commission. For NDPBs such as ourselves monitoring should be through the sponsoring department. We suggest that a good opportunity to enforce the mandates for standards like BREEAM excellent would be at the business case sign-off stage before any investment is committed.

3.4 Use of the Sustainable Procurement Task Force Flexible Framework is limited in the Government estate. We have developed a sustainable procurement action plan in response to the framework and have recently won an award for our timber purchasing policy from the Chartered Institute of Purchasing and Supply. Mandating the use of the framework across all Government departments would increase its use and effectiveness.

4.0 *The gap between the level of ambition set for the UK government policies and the level of ambition Government sets itself within the Sustainable Operations on the Government Estate (SOGE) framework.*

4.1 We believe the Government should lead by example. Achievement of SOGE targets should ensure that government operations are leading edge. Since the launch of the SOGE targets in 2006 the impetus and pace with which climate change in particular needs to be addressed has increased.

4.2 The current SOGE targets to reduce carbon dioxide (CO₂) emissions by 30% by 2020 relative to 1999–2000 levels, should be reconsidered and brought into line with the carbon budgets proposed by the Committee on Climate Change. These require either a 34% or 42% decrease in all greenhouse gas emissions from 1990 levels by 2020.

4.3 This is dependant on whether the EU moves from its commitment to a 20% reduction in greenhouse gas emissions to their planned target of a 30% reduction greenhouse gas emissions if an international post Kyoto agreement is reached. The longer term UK domestic target is an 80% reduction in 1990 levels of greenhouse gas emissions by 2050.

4.4 The Environment Agency's aim is to reduce emissions by 30% by 2012. We believe that all Departments and Agencies should be able to achieve a similar target.

4.5 We believe the targets for water and waste also need to be reviewed in the light of the Water Strategy, the Waste Strategy and other new policies to ensure they are suitably ambitious.

5.0 Whether attainment of SOGE targets at the level at which they are currently set would result in sustainable operations.

5.1 We believe there is a need to review some of the targets to make them more stringent or to deliver the targets earlier than originally intended for them to be considered to be delivering sustainable operations.

5.2 Examples of the increased pace with which we believe these targets could be delivered are:

- The target to reduce CO₂ emissions by 30% should be achieved by March 2015. The Environment Agency has set itself a 30% reduction target in CO₂ emissions by March 2012.
- The target to reduce water use by 25% by 2020 should be achieved by March 2015. Our target is to reduce water use by this amount by March 2012.

6.0 The planned review of the SOGE framework.

6.1 We welcome the review of the SOGE framework. The current set of targets are outcome focussed which we support. The targets cover the key areas and we do not believe any additional targets would be beneficial as they may dilute the focus of the SOGE initiative.

6.2 We believe all Executive NDPBs, including ourselves should be covered by the SOGE targets. Sustainability should be at the heart of all Government and public sector business and the achievement of the SOGE targets should help to ensure it is delivered.

7.0 The potential for interdepartmental carbon trading.

7.1 The advantages of cap and trade schemes are well known and have been demonstrated through mechanisms like EU ETS. The proposed Carbon Reduction Commitment (CRC) is a carbon trading instrument which all central government departments as well as other public and private sector bodies will participate in. Under the CRC, which we will administer, central government departments will trade between themselves and others within the market.

7.2 The CRC does have some exclusions, most notably transport emissions, but we believe government would need to look carefully at whether the benefits of an additional trading scheme (beyond the CRC) for central government departments is justified. The efficiency of cap and trade schemes is increased with the size of the market so we believe central government departments should participate in the CRC.

8.0 The use of credits and offsetting in achieving targets.

8.1 Though we welcome individuals or organisations offsetting their operational impacts (eg travel), by buying offsets or using credits, we believe that practical actions that cut the emissions from their activities is the priority. High quality carbon offsets that genuinely deliver additional carbon savings can play an important role in an organisation's carbon reduction strategy. However we believe this should be at the bottom of the hierarchy of actions to reduce CO₂ emissions.

8.2 In 2007 we set up a Carbon Reduction Fund to minimise our own carbon footprint. The fund's original budget was based on how much it would cost to offset our own emissions. We use the fund to:

- Reduce our own CO₂ emissions by investing in carbon reduction projects.
- Engage our staff in reducing our CO₂ footprint through inviting their bids for funding for carbon reducing projects.
- Stimulate the development of technologies which can support CO₂ reduction.

The key selection criteria for projects are cost per tonne of carbon saved and innovation.

9.0 *The Government's Greening ICT Strategy.*

9.1 The Government spends significant amounts of money on ICT (£billions). We believe this must be spent in the most sustainable way possible. The Greening ICT Strategy launched in July 2008 is an important means to help ensure this happens.

9.2 We are on the Green ICT Delivery Unit of the Cabinet Office Chief Technical Officer Council which provides leadership across government for Green ICT. As part of the main Council we had oversight of the development of the Greening ICT Strategy.

9.3 We are currently looking to outsource our operational IT service. Sustainability is a key factor in this tender process.

10.0 *The reasons behind the continuing poor progress on reducing carbon emissions from offices.*

10.1 Environment Agency progress on reducing energy use from its offices has been good. We have seen reductions in office energy use over the last three years.

10.2 It is often said that public sector bodies find it difficult to make the business case for the necessary investment in technologies to reduce energy use in offices. There are a number of government backed funding streams, such as SALIX Finance, which can help address this.

10.3 Not all reductions in emissions require investment. Behavioural change can have significant effects. Part of our success has been having our carbon reduction target as a measure of corporate performance on our scorecard. The accountability at Director level helps ensure performance is driven through the organisation.

11.0 *The reasons for the wide variations in departmental performance on issues such as carbon emissions from transport.*

11.1 We have taken a dual approach to addressing transport emissions. We have significantly reduced the miles we drive (winning the 2008 Energy Saving Trusts Green Fleet Hero award). We also factor in CO₂ emissions when purchasing vehicles. We achieved the government target of an average CO₂ rating of 130 g/km two years early.

11.2 The way we set targets and check performance against them, from Chief Executive to individual teams in a delivery unit, is instrumental in delivering the reductions we have achieved.

21 April 2009

Memorandum submitted by the House of Commons Management Board

INTRODUCTION

1. This memorandum provides a summary of 2008–09 Parliamentary environmental performance and plans to reduce the environmental impact of Parliament. It also provides an update on progress against the recommendations made about the Parliamentary Estate in the Environmental Audit Committee's Seventh Report of Session 2007–08, *Making Government operations more sustainable: A progress report*.

SUMMARY

2. The Management Board recognises that the activities of the House of Commons have a significant environmental impact and take this issue very seriously. The 2009–10 Corporate Business Plan states that it is one of our principal goals to increase and demonstrate the environmental sustainability of the services delivered. Together with the Management Board of the House of Lords, we have put resources in place to drive environmental improvement across the Parliamentary Estate.

3. An action plan, drawing on the recommendations of an internal environmental audit conducted in 2007–08 and accepted good practice, has been developed. It identifies the steps required to develop the environmental framework necessary to turn around Parliamentary environmental performance and has been endorsed by the Management Boards of both Houses.

4. Historically, Parliamentary environmental targets have drawn on the Sustainable Operations on the Government Estate (SOGE) targets. Progress against targets has been mixed. Good progress has been made with the procurement of green energy, reduction of water consumption and waste recycling, but performance on energy consumption and carbon emissions has been very disappointing. The trend has continued in the wrong direction, because of increased occupancy of the Estate, IT use and cooling loads.

5. The 2009–10 Parliamentary environmental targets will continue to draw on the SOGE targets but will focus on short term performance improvements in place of the longer term targets previously set. Independent verification of baseline data and an assessment of environmental opportunities and demands will be carried out in this financial year, which will enable longer term, strategic targets—demanding but realistic—to be set for 2010–11 and beyond.

ENVIRONMENTAL MANAGEMENT

6. We recognise that the House’s operations have significant environmental impact, and that Members, the public and our own staff expect Parliament to take the lead in addressing climate change. We have begun to make significant changes in the way in which we manage environmental issues.

7. Our 2009–10 Corporate Business Plan, approved by the House of Commons Commission, states that it is one of our principal goals to increase and demonstrate the environmental sustainability of services delivered. A new post of Head of Fire Safety & Environment has been created in the Parliamentary Estates Directorate and the postholder, a Chartered Environmentalist, started on 31 December 2008. She is responsible to the Parliamentary Director of Estates for establishing the environmental policies, strategy and standards across both Houses.

8. In March/April 2009 an environmental action plan, aligned with the requirements BS EN ISO 14001⁹ and the Sustainable Development Commission’s “Driving Change—Sustainable Development Action Plans” guidance and the recommendations of an internal audit of environmental management, was endorsed by the Management Boards of both Houses.

9. The action plan identifies the steps required to develop the environmental framework necessary to turn around Parliamentary environmental performance. It is divided into ten areas of focus, shown below, with the overall aim of providing the tools, support, system, motivation and guidance to deliver continuous improvement of individual, departmental and Estate environmental performance.



10. The Management Boards of both Houses have endorsed the development of a joint environmental policy statement and a Parliamentary environmental strategy, which it is hoped to present to the House of Commons Commission before the end of the year. As part of the development process, a number of cross-departmental environmental impact and opportunity workshops will be held, drawing on the expertise and enthusiasm of staff across the Services of the two Houses. Workshops will also be offered to Members and their staff, as it is recognised that they too have a very important part to play in the success of greening Parliament.

ENVIRONMENTAL PERFORMANCE AND REPORTING

11. Historically, Parliamentary environmental targets have drawn on the SOGE targets. Performance against the 2008–09 targets is shown in Annex A. Performance to date has been mixed, with energy consumption and carbon emissions going in the wrong direction. The increased consumption of energy and associated increase in carbon emissions is attributed to increased occupancy, IT use and cooling loads.

⁹ BS EN ISO 14001 Environmental Management Systems—Requirements with guidance for use

12. The energy consumption and carbon emissions targets have not been consistently supported by improvement plans to make annual progress and have not been aligned with energy demands and trajectories. Additionally green behaviour across the Estate has not been consistently supported. The Management Board recognises that this performance does not reflect good practice and that this area requires progress as a matter of priority.

13. Parliamentary electricity is sourced through a green energy tariff. While this positively drives the renewable energy market and demonstrates leadership in green procurement, the extent to which it contributes to reducing carbon emissions is unconfirmed; the average carbon emissions factor for the national grid has therefore been used to calculate Parliament's carbon emissions.

14. Good progress has been achieved in the following areas:

- Energy monitoring—Remote meters have been installed across the Estate allowing real time data to be collated and utilised.
- Lighting—Energy efficient lighting is in place across the Estate. There are few incandescent lamps in occupied areas and a programme for full replacement is underway.
- Display energy certificates (DECs)—DECs have been obtained for each building on the Estate, although the ratings indicate that significant work is required to improve performance.
- Bore hole water—The comfort cooling needs for Portcullis House are powered by borehole water and toilet flushing in the building is provided by secondary use of the bore hole water. Options to increase secondary use of the water across the Estate are currently under review.
- Waste disposal—General waste streams are diverted from landfill through disposal to facilities in the London area obtaining energy from waste.
- Procurement of food—All invitations to tender include sustainability criteria.

15. The Parliamentary Information and Communications Technology department are planning to initiate the virtualisation of servers and upgrade of the operating system in 2009–10, which should result in a reduction in future energy demand.

16. Parliament's 2009–10 environmental targets continue to draw on the SOGE targets but focus on short term performance improvements rather than the longer term targets previously set. Independent verification of baseline data and an assessment of environmental opportunities and demands will be carried out in this financial year, so that longer term, strategic targets—demanding yet realistic—can be set for 2010–11 and beyond.

17. In developing the 2009–10 targets advice was sought from the Sustainable Development Commission and Office of Government Commerce. The targets are shown in Annex B.

18. It is recognised that Parliament's 2009–10 environmental targets do not directly address the following 2006 SOGE targets:

- Carbon emissions from road transport—we are committed to initiating a green travel plan in 2009–10.
- Condition of Sites of Special Scientific Interest—this target is not applicable to Parliament.
- Carbon neutrality—we will seek to reduce carbon emissions rather than rely on off-setting, although the House does currently pay a carbon compensation for air travel. In 2009–10 however, the cost of off-setting carbon emissions will be identified to influence future environmental investment.

19. We will undertake environmental benchmarking and shared learning in 2009–10, and contact has already been made with the U.S. House of Representatives' "Green the Capitol Programme". However it is recognised that the particular nature of Parliament's operations and buildings, including World Heritage site status and listed building status of 60% of buildings, limit the scope for direct comparisons.

20. In line with the House of Commons Corporate Business Plan environmental performance data will be reported monthly to the Management Board. Additionally, in line with the requirements of BS EN ISO 14001, an annual environmental management review will be conducted and documented from 2009–10, supported by independently validated performance data.

30 April 2009

2008–09 PARLIAMENTARY ENVIRONMENTAL PERFORMANCE

<i>Target</i>	<i>Performance</i>	<i>Commentary</i>
To reduce energy consumption per m ² by 15% by 2010–11, relative to 1999–2000	11% increase	<p>In 2008–09 energy consumption for the Parliamentary Estate was 362 kWh/m². When weather corrected, consumption for 2008–09 was 5% higher than the 1999–2000 base year figure.</p> <p>The increased consumption of energy is attributed to increased occupancy, IT use and cooling loads.</p> <p>The Parliamentary Information and Communications Technology department are planning to initiate the virtualisation of servers and upgrade of the operating system in 2009–10 which should result in a reduction in future energy demand. Additionally independent verification of baseline data and an assessment of environmental opportunities and demands in 2009–10 will provide confidence in base year data and identify further opportunities to reduce consumption.</p>
To source at least 10% of electricity from renewable sources	99% of electricity sourced from renewable sources	<p>The Estate sources renewable energy via a green energy tariff.</p> <p>Whilst this positively drives the renewable energy market and demonstrates leadership in green procurement the extent to which it contributes to reducing carbon emissions is unconfirmed; therefore the average carbon emissions factor for the national grid has been used to calculate Parliament's carbon emissions.</p> <p>An energy and utility improvement plan identifying options for renewable energy and combined heat and power generation and reducing energy and utilities consumption will be developed in 2009–10. Additionally the Parliamentary Estates Directorate has commissioned a feasibility study into the incorporation of borehole water cooling and CHP/tri-generation in the mechanical and electrical refurbishment of the Palace of Westminster.</p>
To reduce carbon emissions, from fuel and electricity used in buildings, by 12.5% by 2010–11, relative to 1999–2000	42% increase	<p>Carbon dioxide emissions from energy use increased by 42% between 1999–2000 and 2008–09. Over the same period the area of the Estate increased by 23%, so the increase in carbon emissions per m² has increased by 16%. (Although electricity supplied to the Estate is from renewable sources via a green energy tariff, in line with protocol, this target uses the average carbon emission factor for the national grid).</p> <p>The increase in carbon dioxide emissions is attributed to an increase in energy consumption, due to increased occupancy, area of the Estate, IT use and cooling loads.</p> <p>Since 1999–2000 Parliament's energy mix has changed with a significant increase in electricity consumption over gas consumption. As electricity generation has a higher carbon factor this has amplified</p>

<i>Target</i>	<i>Performance</i>	<i>Commentary</i>
To reduce water consumption by 12% by 2010–11, relative to 1999–2000	13% decrease	<p>the effect of increased energy consumption on Parliament’s carbon emissions. Efforts to upgrade IT systems, validate baseline data and identify opportunities to reduce energy consumption are expected to result in reduced carbon emissions going forwards.</p> <p>The amount of water used in 2008–09 was 0.9 m³/m² of estate area, 13% lower than the base year figure. Significant reductions in water consumption were achieved through improvements to the Palace of Westminster cooling towers. Additionally independent verification of baseline data and an assessment of environmental opportunities and demands in 2009–10 will provide confidence in base year data and identify further opportunities to reduce consumption.</p>
To recycle 49% of waste in 2008–09	50% recycled	<p>A recycling rate of 50% was achieved in 2008–09, against a target of 49%. In addition the remaining general waste streams are diverted from landfill through disposal to facilities in the London area obtaining energy from waste.</p>

Annex B

2009–10 PARLIAMENTARY ENVIRONMENTAL TARGETS

Environmental strategy:

- To deliver the action plan for Greening Parliament.

Carbon, energy and utilities:

- To reduce Parliament’s carbon footprint from energy and utility consumption relative to 2008–09.¹⁰
- To develop an energy and utility improvement plan identifying options for renewable energy and combined heat and power generation and reducing energy and utilities consumption.
- To review and challenge Parliament’s display energy certificates with the aim of improving 2009 energy ratings.
- To reduce water consumption by 2%, relative to 2008–09.¹¹

Waste:

- To develop a waste improvement plan identifying options to reduce waste generation and improve recycling rates.
- To recycle 50% of waste generated by volume.

Procurement and projects:

- To ensure all major Parliamentary Estates projects specify environmental requirements.
- To achieve BREEAM¹² “Excellent” rating for new builds and major refurbishments and “Very Good” rating for major refurbishments of heritage/listed buildings.

Climate change adaptation:

- To identify the threats and opportunities of climate change on Parliament’s activities and services.

¹⁰ A specific target has yet to be set as we need to validate baseline data and profile demand and efficiency opportunities. It is recognised that at current levels a 3% reduction per annum would be required on a pro rata basis in order to address the UK’s target of an 80% reduction in carbon emissions against a 1990 baseline by 2050.

A separate target has not been set for electricity and gas consumption although these will be monitored as indices in absolute terms as well as weather corrected, per m² and per capita in order to identify and explain trends.

¹¹ This target is based on the pro rata requirement to meet the SOGE target of 25% by 2020 against a 2004–05 baseline

¹² BREEAM—Building Research Establishment’s Environmental Assessment Method

Memorandum submitted by Boris Johnson, Mayor of London

INTRODUCTION

1. The Mayor of London welcomes the opportunity to provide a written submission to the Environmental Audit Committee. The Mayor, along with his Director of Environment—Isabel Dedring, has an ambitious environment agenda to meet challenging targets including the reduction of CO₂ emissions from buildings across the Capital.

2. The Mayor believes progress on reducing buildings emissions across the public sector has been underwhelming so far. This has been exacerbated by the lack of national solutions to deliver improvements at a large scale.

3. The Greater London Authority (GLA) is eager to tackle the problem of building emissions and have developed and piloted an innovative commercial model to retrofit buildings. This uses guaranteed energy savings from energy services companies to enable the funding of initial improvement costs at effectively zero net cost.

4. The GLA is currently working to rollout this approach across London and will make it open to all public sector organisations.

VIEWS ON CURRENT PERFORMANCE & AMBITION

5. A good way to view the current poor performance of government buildings is through the Operational Rating on a building's Display Energy Certificate. The Sustainable Procurement & Operations on the Government Estate Delivery Plan Update—December 2008, showed nearly 40% of buildings across the public sector received the lowest possible rating of G.

6. The GLA have undertaken significant engagement across London in developing a programme to help tackle emissions from non-residential buildings. We found little evidence of public sector organisations being under any notable central government pressure to improve or having clear programmes in place to drive significant improvements. Where drivers did exist these appeared to be internally created.

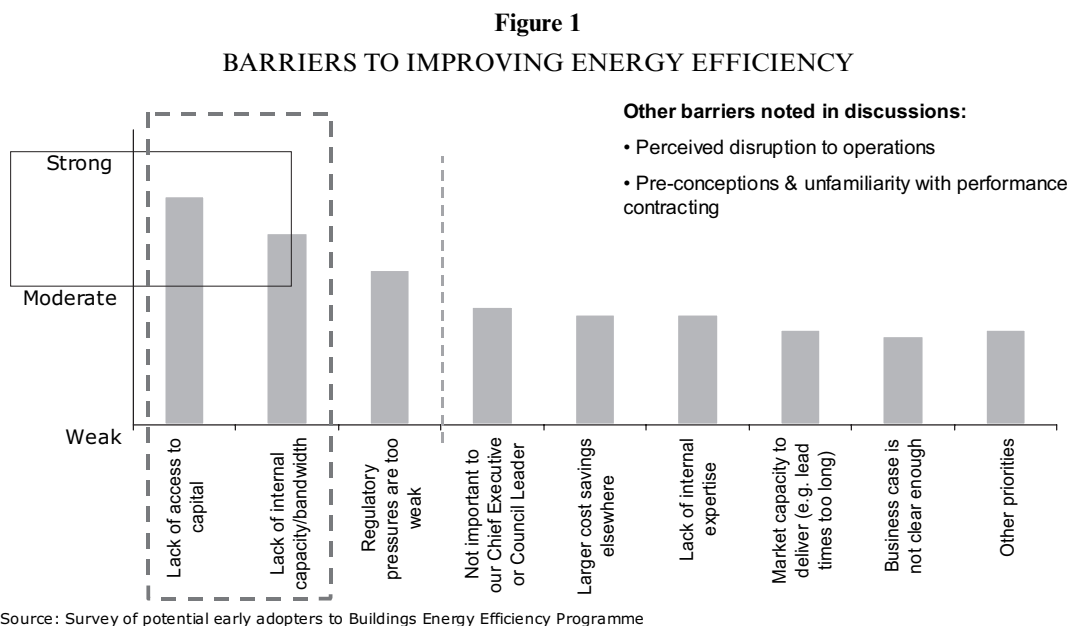
7. Numerous projects, often supported through Carbon Trust work, are happening but these tend to be extremely small-scale compared to the organisations overall property portfolio and often only cover one or two measures in a single building. The overall impact against total energy consumption was likewise extremely small.

8. The seventh annual Sustainable Development in Government assessment (SDiG) stated encouraging improvements. However, given large savings have been driven from estate rationalisation, this could show a significant lack of ambition regarding energy on retained building stock given the possible emissions savings of over 25% that have been demonstrated by GLA in its pilot phase of the London Buildings Energy Efficiency Programme.

9. The GLA Group have undertaken considerable work in this area, including engaging numerous public and private sector organisations in London and beyond. Common problems stated regarding retrofitting buildings with energy efficient measures to reduce emissions are:

- Significant upfront investment is required to improve building energy efficiency;
- Many energy conservation measures have significant payback periods making them unaffordable;
- Uncertain returns as some emissions/energy saving projects fail to deliver;
- Contracting energy services can be costly and complex;
- Piecemeal changes require significant procurement activity and are inefficient.

10. These views are demonstrated in a brief survey of public sector organisations in London that suggests the major challenges in delivering large-scale reductions are constraints on capital and internal capacity to manage such changes.



VIEWS ON POTENTIAL IMPROVEMENTS AND SOLUTIONS

Position of current solutions

11. The Mayor believes that a major programme to retrofit buildings with energy efficiency measures is required to deliver substantial savings on CO₂ emissions and energy costs. This is however, a new and developing market and therefore limited knowledge and the lack of standard approaches make organisations reluctant to undertake the activities.

12. The lack of a clear, cost effective and easy to implement Government led solutions to enable the significant reduction in emissions across the Government buildings portfolio is a concern and major block to delivery.

13. Some work is being undertaken by the likes of OGC on specific technologies, but piecemeal change is intensive on scarce internal resources and inefficient for buyers and suppliers when compared to a more complete building retrofit.

The GLA Buildings Energy Efficiency Programme

14. The Greater London Authority Group have undertaken extensive work to develop the Buildings Energy Efficiency Programme (BEEP). This work, in conjunction with the Clinton Climate Initiative (CCI), is part of a flagship international initiative to reduce the carbon footprint of cities globally. The CCI brings together the world's most significant cities to tackle climate change and the London BEEP is the first project to be delivered through the Initiative. It provides a mechanism to make it financially feasible for cities to radically cut emissions from their buildings.

15. The Buildings Energy Efficiency Programme is a cost neutral means to reduce energy bills and carbon footprint of buildings. An energy services company guarantees a set level of energy savings—therefore financial saving—over a period of years. This guarantees a future savings/income stream to fund investment for retrofitting buildings with energy efficiency improvements.

16. Improvements to buildings will typically include a range of around twenty measures including new building control systems, lighting upgrades and improved insulation. Through using a blended payback across the improvements it has been possible to include other more progressive measures such combined heat and power units and solar/photo voltaic technology.

17. 100 GLA buildings have been committed to the BEEP model. A pilot covering a wide range of buildings including operational police stations, fire stations and listed properties has so far seen 42 buildings generate energy savings guarantees of 25% over an average six-year simple payback. The pilot phase alone will result in annual savings of over 6,000 tonnes of CO₂ and over £1 million on energy bills.

18. We believe that the BEEP model creates a highly scalable solution through directly tackling the two major problems identified by public sector organisations:

- Access to capital – guaranteed savings through the BEEP model reduces risk and enables easier internal or third party funding solutions;
- Internal capacity – using a standard approach with pre-tendered capable suppliers allows high resource efficiency.

Delivering value for money investment in public sector buildings

19. Significant funding is required to reduce carbon emissions from public sector buildings. Work undertaken by Ernst & Young¹³ shows that the BEEP model could deliver, with a positive business case, over £400 million of investment in the physical infrastructure of public sector buildings in London alone. This would generate a reduction in CO₂ emissions of over 300,000 tonnes per annum, whilst enabling significant green-collar job creation and large reductions in energy bills.

20. Central to the BEEP proposition is the establishment of a framework of approved energy services companies with pre-agreed contracts and defined deliverables. This allows public sector organisations to avoid lengthy and complex procurement processes, whilst securing value for money from strong pre-agreed commercial terms. It also provides users the option to add their own bespoke requirements.

21. To further enhance value for money, the GLA are working with the CCI and major world cities in a procurement alliance to reduce the costs of individual energy efficient technologies and also help progress cost-effective production of newer technologies.

A scalable solution to deliver across the public sector

22. Work to date with both public sector organisations and private sector providers has shown that BEEP is highly scalable and can provide significant benefits including:

- Reducing emissions and energy use—it is possible to retrofit London's commercial buildings with energy efficiency measures to reduce energy consumption by at least 25% and costs by millions of pounds;
- Guaranteeing savings—the performance based contract provides guaranteed energy savings across the portfolio of buildings supported by stringent monitoring processes to provide verifiable reductions;
- Allowing cost neutral improvements—effectively cost neutral using guaranteed savings to pay back investment over a defined period;
- Low disruption—approach fits with existing facilities management provisions;
- Fast procurement—BEEP is compliant with EU public procurement rules and pre-agreed suppliers and contracts enable a simplified procurement process;
- Greater buying power and standardising approach—commonality allows improved procurement collaboration to reduce costs for buyers and suppliers whilst making improvements more efficient and effective.

23. There has been significant interest across London's boroughs, universities and NHS Trusts and a major tender programme is due to be completed in late 2009 that will help enable this important market to grow rapidly and cost effectively deliver millions of pounds of investment in London's buildings. This Framework will be open for use by all UK public sector organisations.

24. Work on the BEEP pilot and development of the model has also demonstrated a low disruption approach that provides a payback within 12–18 months. Savings of 10%–20% are anticipated from a combination of energy management, green IT and improved control systems. This light-touch method would quickly enable organisations to reduce emissions and build confidence in the benefits of energy reduction. This approach could also be highly applicable to areas such as schools where budget and capacity constraints are combined with a limited time period for making improvements to buildings.

RECOMMENDATIONS

25. BEEP shows that innovative procurement can deliver a solution to reduce emissions and save money through retrofitting buildings with energy efficient technologies. This cost effectively delivers millions of pounds of investment in London's public sector buildings that will produce significant job creation. The Mayor believes that this approach should be utilised across the public sector to reduce emissions and develop a strong UK retrofit market.

26. The BEEP pilot shows that the public sector can be more ambitious in reducing emissions. The Mayor has committed to achieving significant emissions reductions and believes that the Government should set higher and clearer targets across public sector buildings.

27. To support achievement of higher emissions reductions the Mayor believes central Government should help support the development and use of wide scale solutions, such as BEEP, that can deliver value for money improvements to generate significant emission reductions and energy savings from buildings.

April 2009

¹³ Prospectus for London, the Low Carbon Capital. March 2009.

Memorandum from Dr Peter Mallaburn, Managing Director, Policy to Practice Ltd

SUMMARY

- Central Government progress on carbon savings is beginning to accelerate, but there is no sign that a programme to deliver the scale of change needed is in place especially to stimulate a material and sustained capital investment programme across Whitehall.
- The principle reason seems to be that, although Government faces many of the barriers faced by similar, private sector organisations, there are some additional barriers faced by departments, especially around organisational fragmentation and accounting rules.
- Government, in collaboration with its delivery bodies, has realised this and is beginning to put in place the basis of an effective organisational change programme through the work of the CESP.
- However, this is almost certainly not going to be enough without the introduction of new capital and a significant forcing function, such as budgetary top-slicing, designed to systematically overcome these organisational barriers.
- An approach of this nature could easily be delivered on a department by department basis but would be most effective as a cross-Whitehall programme, with departments bidding into a central fund. It would make sense for this fund to be administered by Salix Finance, working closely with the Carbon Trust.

CONTEXT

1. Central Government progress on carbon savings is beginning to happen, but very slowly. Driven by the SDiG agenda, and more recently by the sustainable procurement agenda and the CESP, most departments have Carbon Trust Carbon Management plans and, as a result, many have implemented a range of no—and low-cost measures. But to deliver its share of an 80% emissions reduction target, realising the “low-lying fruit” is simply not going to be enough. All cost-effective energy management and capital projects need to be implemented, and this investment and effort must be sustained across the estate over a number of capital replacement cycles.

2. This lack of progress is surprising when set against the opportunities presented by a successful programme. It would deliver on the Government’s oft-repeated desire to show market leadership. If the Government decides, for example, to only procure low carbon buildings, this could cause a disproportionately strong impact on the property sector because Government is a valued client. Procurement leadership can also be used to drive emerging technologies into the wider marketplace. Finally a successful programme would also, if structured properly, allow significant “spend-to-save” benefits using the energy savings.

3. Superficially it is easy to criticise Government for lack of progress. But it is more important to move beyond this to collectively understand why a group of medium-to-large energy-using, office-based organisations, which has so much to gain from delivering on its promises, still finds change hard to implement. Until we know the answer to this question, persuading the rest of the economy to follow suit will be very difficult.

BARRIERS, RISKS AND OPPORTUNITIES

4. The classic barrier to energy efficiency is the fact that energy costs are a small proportion of turnover and, as a result, energy efficiency investment is marginalised. However, the regulatory regime around climate change is now so strong that carbon management is becoming a strategic risk for many private sector companies, and once this happens investment into energy efficiency project tends to flow. This is particularly true of sectors sensitive to reputational risk, such as retail.

5. The Government faces many of the same barriers and drivers as a similar office-based company. But when it comes to implementation unfortunately the private sector approach does not always work well with a department because it is not organised or managed like a company. Public bodies have no profit motive that can be exploited. They also have highly structured accountability and procurement rules and a highly diverse set of core priorities which results in a high degree of organisational complexity.

6. This organisational and financial complexity introduces four fundamental barriers that the private sector tends not to face, and certainly not all at the same time:

- Lack of capital—public sector programme and administration budgets are under severe pressure and investments in energy efficiency are usually well down the priority list even if they pay back quickly because they are not directly related to the core business of the organisation.
- Accounting barriers—a number of these operate. The simplest is that there is no “budget line” for energy efficiency. Far more difficult is the barrier where the public sector finds it very hard to use revenue budgets to repay capital outlay, which is at the heart of any business case for energy saving project. There are also perceptions that revenue savings will need to be repaid to the Treasury.

- Organisational fragmentation, of which there are two types:
 - Operating within departments—even with a committed department a number of operational teams must be aligned for investment to proceed. These are typically Ministerial and policy teams who suffer the reputational fall-out for lack of progress, estates or facilities management teams who have to find the time and resource to implement the investment programme and finance, who have to pay for it.

To illustrate this point, even though Defra had a functioning carbon management plan and strong Ministerial commitment, Salix spent nearly two years working with officials to establish a capital fund. The main problem was that five separate parts of the department (climate policy, sustainable development, estates, finance, and procurement) all had to be aligned to make the necessary investment case and implement the programme.
 - Operating between departments—organisations of a similar type who form part of a group (eg Central Government) often are wary of exposing their lack of progress to others. The diversity of approaches to energy procurement can also be a problem in terms of co-ordinating a response and producing guidance and toolkits to help departments respond.
- Skills and resource issues—the co-ordination and implementation of an investment programme falls usually to the energy manager who is typically an engineer without the right negotiation skills and degree of influence. Energy managers who have the right skills can be tempted away from the public sector by higher salaries in the private sector.

PROGRESS SO FAR

7. It appears that progress is slow primarily because the Government has underestimated the scale of resource (human and capital) that is needed to overcome these barriers, and particularly the organisational ones. This is true across the public sector but it is particularly prevalent in Central Government. However the creation of the CESP, and the recent appointment of the new Director, seems to have triggered a refreshing change in attitudes in OGC. It is too early to tell if this will be translated into action.

8. The delivery bodies funded by DECC have made a significant contribution to understanding and addressing the problem. The Carbon Trust pioneered Central Government Carbon Management with Defra. However, progress here has been too slow because the Trust has had to pick departments off one by one. However, the Trust is starting developing a pan-Government approach, with the co-operation of OGC, which is welcome.

9. The Carbon Trust also established a capital investment fund for the public sector in the form of Salix Finance, which was eventually spun out as a separate company. Salix now controls funds of around £80 million (including matched funding from the public sector). Central Government however forms a very small part of its client base. Also Central Government is facing strong competition for funding from elsewhere in the public sector, which would, unless more funding is found, leave little room for a major Central Government programme.

WHERE DO WE GO FROM HERE?

10. The Government is attempting to implement a major change management in an organisational grouping that has, in the past 20 years, evolved as 20 or so independent entities each with their own priorities and with increasingly diversified energy procurement processes and differentiated cultures. In many cases energy and facilities management services have been outsourced, introducing an additional barrier to energy saving. It is hardly surprising that progress has been slow.

11. If it were possible to following a typical “change management handbook”, the Government has put in place most of the main elements of what should be a successful change management programme:

- Political commitment through various Ministerial announcements and publications.
- A clear delineation of the nature of the problem through the work of the SDC.
- Strategic advice and support from the Carbon Trust’s Carbon Management programme.
- Capital support through Salix’s revolving loan programme.
- The beginnings of a pan-Government focus on implementation through the work of the CESP.
- Senior management commitment through the Permanent Secretarie’s KPI process.

12. But the fact that these initiatives aren’t really working at scale clearly shows that something important must be missing. What else is needed?

13. It seems to be fundamental to find some way of addressing the organisational fragmentation problem exemplified by Salix’s experience with Defra, described above. Work with other parts of the public sector shows that one way of dealing with this is to force the issue using a process known as “top slicing”. A proportion of the energy budget of the department roughly equivalent to the amount of energy that could be saved (say 20%, or c £1million for a medium-sized department) is withheld and only released by the centre on condition that it is spent on energy saving technologies through a recycling fund that is replenished using

the energy savings. After the investment is paid back, the department would be free to keep the ongoing savings for use, if necessary, on front-line services. This is the approach used by a number of successful Salix client organisations.

14. The distinctive feature of this approach is that it forces the system to change so that the capital investment is made to recover the funding, which at a stroke joins up the finance department and estates or facilities team. Secondly, over time, the approach introduces an incentive that in effect creates a revenue stream which initially is used to repay the fund, but in time can be released into the department's main budget. This creates a momentum of its own where the energy manager is seen to bring value in to the department and the fund continues to grow and attract resources and attention from senior management.

15. An approach on these lines could work for individual departments. However, the opportunity exists for a cross-Whitehall programme, consisting of a centrally administered fund established, into which departments could bid. Such a fund could be funded by top slicing the Central Government energy budget, or with new capital funding, and it would make sense for the fund to be administered by Salix, working closely with the Carbon Trust. If top-slicing was not used the programme would have to apply the same degree of forcing, for example by requiring departments to work with Salix in some meaningful way.

16. In addition to the above, there are a number of issues that need to be considered at the same time that have not tended to receive enough attention.

- Make a virtue out of the problem. Currently, departments are wary of admitting that they are failing, even to each other. Whilst understandable, this is highly counterproductive, for two reasons. Firstly it prevents departments learning from each other and developing common tools and approaches. Secondly, and arguably more importantly in the long run, it is holding back progress in understanding the nature of a problem that affects hundreds of similar organisations in both public and private sectors.
- Share success. A culture of failure could well develop and once it does it can be self-sustaining. Unfortunately there are signs that this is happening; many departments are reluctant to address accounting barriers because a fear that “the Treasury won't allow it”. In setting up its Defra fund, Salix successfully worked through these issues with the Treasury. This is not of course to say that all barriers have been removed, but it is clear that the Treasury is keen to work with departments and not against them.
- Address the skills issue. Energy managers are absolutely central to this. But they are often under resourced and untrained to handle the complex inter-directorate negotiations that are needed to implement change and influence senior management and the Board. Those that do have the skills are often poached for significantly higher salaries by the private sector.
- Provide more capital. This sounds like a no-brainer, but it easy to overlook the fact that energy efficiency investments are usually more expensive up front. However it is possible to make a strong case that additional capital funding will pay back in time as a “spend-to-save” programme as long as it is delivered through a revolving, recycling fund on the Salix model, and implemented using a top slicing approach or something with a similar organisational effect.

May 2009

Memorandum submitted by Natural England

EXECUTIVE SUMMARY

- Natural England has vested credibility as an environmental leader in setting a target to reduce carbon emissions by 50% by the end of 2010. In achieving this target, Natural England will demonstrate good value for money but will not offset its emissions nor pass on the carbon burden to its staff, customers or suppliers.
- A baseline of 6676 tonnes of carbon dioxide (tCO₂) for 2007 was calculated against which progress will be measured. During 2008 carbon emissions were reduced by 19.6%, mainly from improved energy management on the Natural England estate.
- Senior level commitment and staff ownership of the carbon reduction target has been critical to enabling and maintaining more sustainable ways of working.
- The experience of, and progress made by, Natural England over the short term could readily be replicated in other parts of the public sector given the right level of commitment and support.
- Natural England will support Government in setting higher standards and targets as part of the Sustainable Operations on the Government Estate framework.

1. BACKGROUND

1.1 Natural England is a Non-Departmental Public Body created in 2006 under the Natural Environment and Rural Communities Act by bringing together English Nature and parts of the Rural Development Service and the Countryside Agency. Natural England has been charged with the responsibility to ensure that England's unique natural environment, including its flora, fauna, land and seascapes, geology and soils are protected and improved.

1.2 Natural England's purpose, as outlined in the Act, is to ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development.

1.3 At vesting, Natural England set out its target to reduce the carbon emissions of its estate energy use and its business travel by 50% by the end of 2010. To further demonstrate its environmental leadership, Natural England will achieve the target through direct reductions in emissions and not through carbon offsetting or passing on the carbon burden to its customers, suppliers or staff. Natural England has further committed to ensuring that delivering this target will be cost neutral with all upfront investment paid back in five years.

1.4 An initial baseline of 6676 tCO₂ was established for the 2007 calendar year against which future emissions would be measured. This was based on the methodology set out in ISO14064 and is based on the Defra carbon emission factors. Approximately two-thirds of the baseline was made up of carbon emitted through energy consumption on the Natural England built estate whilst business travel accounted for the remaining third.

1.5 As a result, three integrated work programmes have been implemented to reduce the organisational carbon footprint: Estates; Business Travel; and, Leadership & Communications. It is also recognised that the contribution that each programme makes varies in both the amount of carbon it can reduce and the timing of this reduction. A more detailed description of each is set out below.

2. WORK PROGRAMME 1: ESTATES

2.1 The Natural England estate accounted for 4349 tCO₂ of the 2007 baseline. At vesting it consisted of 105 properties—68 offices and 37 National Nature Reserve buildings.

2.2 The majority of Natural England offices are leased from Defra or a private sector landlord.

2.3 An estates rationalisation programme has been ongoing since vesting and was initially introduced to resolve duplication of offices in the same geographic location, as the result of creation of Natural England from three public sector organisations. It was also identified as an early opportunity to both demonstrate a reduction in emissions and to enable staff to work more flexibly, provided that the carbon benefits of an office closure did not lead to increased business travel and commuting. The number of offices has been reduced by 15 during 2007 and a further five during 2008. The current plan is to move to a 32 office model by the end of 2010.

2.4 Early engagement and Defra's support for Natural England achieving its target, has resulted in close partnership working between the two bodies to improve the energy performance of shared buildings across the estate.

2.5 During 2008 a number of Natural England offices were installed with PowerPerfactor voltage optimisation equipment, automatic meter readers and a range of office-specific energy efficiency technologies. One building was also installed with a biomass boiler. Further energy saving activity is programmed for 2009.

2.6 A large number of staff are engaged in the office energy efficiency programme (see Sustainability Champions below) and, although it is not possible to quantify the exact contribution they make, their effort is reflected in their overall office carbon emission figure.

2.7 During 2008, the carbon emissions of the Natural England estate fell by 1257 tCO₂ (28.9% of the estate baseline) to 3092 tCO₂.

3. WORK PROGRAMME 2: BUSINESS TRAVEL

3.1 Travel on behalf of Natural England contributed 2327 tCO₂ to the 2007 baseline. Of this, car travel (grey fleet, pool cars or hire vehicles) made up 74% (1730 tCO₂) of all travel emissions.

3.2 During 2008 an organisational discussion and consultation on a range of policy options for green travel was initiated with a final policy being published in August. The Green Travel Policy focuses on reducing the need to travel or reducing the carbon impact of travel, whilst balancing other factors such as time and cost. This was complimented by a considerable investment in tele and video-conferencing facilities across the organisation.

3.3 The final Policy also prioritises support to those staff who are required to travel on a regular basis due to the nature of their role and also on introducing team travel carbon "budgets" and targets during 2009–10.

3.4 During 2008 the carbon emissions from travel fell by 55 tCO₂ (2.4% of the baseline) to 2272 tCO₂. This small reduction reflected the challenges of behavioural change but the investments made in tele and video conferencing are already showing significant reductions in travel during the early part of 2009. A further result of 2008 data has been the greater emphasis on compliance to team travel reduction targets and travel carbon budgets during 2009.

4. WORK PROGRAMME 3: LEADERSHIP AND COMMUNICATIONS

4.1 Senior level commitment to the carbon reduction target and associated activity has existed throughout the lifespan of the project and has been critical in enabling both the level of activity and high degree of staff buy-in and engagement with the target.

4.2 Each individual member of the leadership group publish their travel carbon footprints on the Natural England intranet on a quarterly basis. From this information, staff can see the commitment and changes being made at a senior level to achieve the carbon reduction target.

4.3 Regular updates on progress towards the target and other issues relating to the programme are communicated to staff through a variety of media. A network of “Sustainability Champion’s is also active in both communicating but also facilitating behavioural change in the work place.

4.4 Ownership of sustainability and the carbon reduction target is placed at the individual level and staff are encouraged to engage at all levels of the programme. This can vary from submitting their view to emerging policies through to actively participating in the organisational Sustainability Champions Network. Sustainability and carbon targets are also incorporated into the individual and team performance management system.

4.5 A carbon “dashboard” is in development on the Natural England intranet, showing progress and performance with respect to office energy consumption and business travel at the organisational, regional and team level. A range of meeting planning tools, carbon calculators and other information and advice is readily available to staff on the intranet.

5. CONCLUSIONS

5.1 The experience of Natural England shows how setting an ambitious carbon reduction target with the commitment of the Board and senior executive can drive significant carbon reductions throughout an organisation within a short timescale.

5.2 Establishing a baseline, using a clear and replicable methodology is essential to both being able to measure progress but also in understanding the levers for change within an organisation.

5.3 Working with landlords is essential for enabling changes to the fabric of a building to reduce carbon emissions. Engaging and working with staff is critical for achieving changes in travel behaviour.

6. FURTHER COMMENTS ON THE CURRENT STATUS OF “GREENING GOVERNMENT”

6.1 There is a gap between the level of ambition set for the UK by Government policy on climate change and the level of ambition for Government itself as set within the Sustainable Operations on the Government Estate (SOG E) framework. As the experience of Natural England demonstrates, there is considerable scope for improving the energy performance of many public sector buildings over a very short period through the use of proven technologies, better building management and behavioural change.

6.2 Natural England would support the introduction of more ambitious targets around sustainable operations on the Government estate, particularly on carbon emissions.

6.3 There is a role for carbon offsetting and carbon credits in this process, but these should only be considered once all value for money carbon reduction measures have been exhausted.

6.4 Reducing the carbon emissions of travel requires a behavioural change. The setting of travel carbon budgets within Natural England has already resulted in significant changes in travel behaviours and increased use of tele and videoconferencing with no loss of efficiency or levels of customer service. Similar approaches could be implemented in other Government departments.

6.5 It has been clear from the Natural England experience that senior level commitment to sustainability is essential for driving down carbon emissions. Each Department should make similar commitments to reducing its carbon emissions and set itself realistic but ambitious targets in excess of the SOGE framework. Progress should be reported on an annual basis, possibly to the Minister for Transformational Government and be open to public scrutiny.

April 2009

Memorandum submitted by Salix Finance Ltd

SUMMARY

- Salix provides long term interest free matched funding to implement energy saving capital projects in the public sector, including central government.
- We were established by The Carbon Trust in 2004 and are funded through CT by DECC.
- Salix works alongside The Carbon Trust and The Energy Saving Trust to translate identified projects into implemented actions which deliver real energy savings.
- While The Carbon Trust and The Energy Saving Trust provide advice, guidance and support on energy saving to public and private sectors, Salix focuses specifically on the provision of finance for public sector to deliver energy saving projects.
- Salix is currently working with 120 public sector organisations, including local authorities, universities and NHS Foundation Trust Hospitals, managing funds approaching £100million
- Projects supported by Salix to date have an average payback of 3 ½ years. This suggests annual energy savings of £27million pa can be achieved from our current level of funding.
- Based on current projects funded by Salix, the lifetime CO₂ savings that can be expected from our current level of funding are in excess of 2million tonnes CO₂.
- Only one central government department (Defra) has a Salix fund at present but we believe there is a significant potential to make more progress in this area in the future.
- Salix is committed to realising this potential but its success will depend on the availability of finance to extend our activities, building departmental awareness of the benefits and effective support across central government.
- Assuming these issues are successfully addressed we see no reason why more central government departments cannot replicate the successes of DEFRA using the Salix funding model.

1. Background and the role of Salix

1.1 The central government estate is estimated to use £1.6billion¹⁴ of energy each year. It has failed to take sufficient action to reduce its energy use so as to meet its 2010–11 targets¹⁵ and is not taking full advantage of the opportunities available to it.

1.2 Government provides funding to a number of organisations to assist the public sector to reduce its energy consumption and CO₂ emissions. This includes support for The Carbon Trust, The Energy Saving Trust and Salix Finance.

1.3 Salix Finance is an independent, publicly funded company, set up in 2004, to accelerate public sector investment in energy efficiency technologies through “invest to save” schemes. Salix has public funding from DECC channeled through the Carbon Trust, and is working across the public sector with local authorities, NHS foundation trusts, higher and further education institutions and central government. It is a not for profit company limited by guarantee.

1.4 Salix Finance enables public sector bodies to improve energy efficiency, attain targets, reduce energy bills and raise green credentials. It does this by using long term, ring fenced, interest free conditional grants to make carbon saving projects happen in the public sector.

1.5 Salix focuses on supporting basic projects. In general all projects pay for themselves within 50% of their useful life so real energy bill savings are seen by the organisation.

1.6 After an initial successful pilot programme with local authorities, Salix received £20 million from government to extend the programmes throughout the public sector. This sum has now been supplemented by an additional £30 million in the current Comprehensive Spending Review period. The funding that Salix provides to deliver energy efficiency improvement across the public sector is matched by clients; therefore the various programmes operated by Salix will have a total value of almost £100 million.

2. How Salix works

2.1 Funds are paid by Salix to public sector bodies in stages subject to commitment of 80% of any previous payments to energy saving projects. This ensures that activity is maintained and funds do not sit unused in the organisation.

2.2 The fund is used to finance individual energy saving projects which meet the compliance criteria set by Salix. The energy savings from the projects are then used to repay the cost of the project back to the local fund for reinvestment in other compliant projects.

¹⁴ http://www.ukpublicspending.co.uk/uk_year2008_0.html#ukgs302 compiled by Christopher Chantrill

¹⁵ Sustainable development in Government Assessment 2008

2.3 The compliance tests are that projects must be additional, have a five year technical payback and a lifetime cost of CO₂ of less than £100 per tonne¹⁶. Clients keep the funding for as long as they can identify and implement energy saving projects. Our expectation is that savings from energy saving projects will be recycled three or four times within the organisation.

2.4 Whilst Salix now has 120 public sector organisations signed up as clients with funds in place only one of these is a central government department. Defra joined the programme in 2007 with a fund size of £1.6m and this been operating successfully since.

2.5 The sort of projects that can be undertaken and are supported by Salix include the following:

- Insulation—wall, ceiling and pipe work
- Boiler upgrades and controls
- Lighting upgrades and controls
- Voltage optimisation
- Power management software
- IT upgrades

2.6 All of these can meet the Salix funding criteria.

2.7 Salix funds have to date supported over 1800 individual energy saving projects. These have an average payback of 3.5 years, which indicates that for every £1million spent on compliant projects the energy bill reduction is £285,700 per year.

2.8 The average efficient lifetime of the technologies that Salix funds is over 10 years meaning that there is a real return on the investments for 6.5 years once the project costs have been repaid.

3. *Experience to date*

3.1 A Salix Fund provides benefits over and above the value of the initial funding. Experience has shown that:

- An application for a fund and the need to allocate specific matched funding raises the profile of energy departments within public sector organisations and the priority of energy saving projects across the estate.
- Whilst the fund size is relatively small for most public sector bodies the fact that it is recycled means the real value of the fund is multiplied
- The need to actually commit projects in order to claim the next instalment keeps energy saving projects “in the diary”
- The provision of a client relationship manager from Salix to work with the local fund manager maintains momentum and provides guidance and support
- Salix also have technical support from W S Atkins plc which can be accessed by fund holders
- Salix facilitates net working meetings for clients to exchange knowledge on projects and to explore best practice.
- A Salix Fund can help deliver government targets such as SOGE and the Carbon Reduction Commitment.
- The “stick” is as important as the “carrot” in ensuring activity continues to happen. Salix retains the ultimate sanction of recalling the funding from an organisation if it is agreed that nothing else can be done to reignite activity.

3.2 Even when public sector bodies under spend their budgets at a whole organisation level spare funding is rarely transferred to energy department budgets. Therefore the provision of 50% of the funding is a valuable support to generate new budget allocation for the energy department.

3.3 We are of the view that the presence of a Salix fund increases the incentives of the public sector body to reduce its energy consumption and can significantly assist in achieving the SOGE targets set in relation to reducing carbon emissions.

4. *Salix and Central Government Departments*

4.1 So far, Salix’s focus has been on a range of organisations in the public sector, including larger local authorities, universities and NHS foundation trust hospitals. As noted above, only one central government department has set up a Salix fund. This has partly been a matter of business priorities for Salix given its current funding allocation, and partly a reflection of the levels of interest in energy saving projects across

¹⁶ This relates the lifetime CO₂ saved from the project to its total cost. Lifetime CO₂ is calculated from the annual energy savings estimated multiplied by the conversion factor from energy to CO₂ and then multiplied by the persistence factor for the technology. Persistence factors provide the efficient life for a technology. They are based on a technologies “useful life” which is then adjusted to reflect deterioration by inherent degradation and operational degradation.

central government. Salix has directed its activities towards those sectors which have shown the greatest interest. We believe, however, that significant potential exists within central government to reduce energy consumption by taking advantage of Salix funding.

4.2 Energy efficiency has a key part to play in reducing the carbon footprint of the government's estate. Whilst there is a general awareness within departments of what they can do to reduce energy consumption there are a number of barriers that mean that energy efficiency projects are not widely undertaken.

4.3 In particular, significant further progress would depend on:

- the availability of additional funding for Salix to extend its activities;
- building greater and wider departmental awareness of the benefits of a Salix Fund;
- the will of central government departments to devote time and resources to identifying and implementing energy saving projects ;
- confronting the perceived barrier that recycling ring fenced “invest to save” funds cannot operate within the guidelines of public sector accounting rules. Through the setting up of funds across all areas of the public sector Salix has set a precedent to show that this is not the case and that such a model can be successfully operated within central government.

4.4 Assuming that progress can be made in addressing the issues mentioned above we see no reason why more central government departments cannot replicate the successes of Defra using the Salix funding model to reduce their energy consumption.

April 2009

Memorandum Submitted by Tandberg

EXECUTIVE SUMMARY

1.1 TANDBERG is a leading global provider of high definition video conferencing and telepresence products to public services in 90 countries across the world. TANDBERG designs, develops and markets systems and software for video, voice and data technologies. The company has a particular expertise working with governments and their agencies to promote the use of visual communications to provide major benefits in the delivery of public services.

1.2 TANDBERG is committed to supporting the Government's *Transformational Government: enabled by technology* strategy, a Cabinet Office initiative led by the e-Government Unit which aims to deliver public service improvements through the innovative use of information technology. Visual communications can play a valuable role in supporting the Government's e-Government priorities: delivering better public services, reducing burdens on front line staff and improving the efficiency of service provision.

1.3 In particular, video conferencing technology offers the potential for significant reductions in the need to travel, not only enabling the Government to reduce the carbon emissions associated with its operations, but also to reduce costs and increase productivity.

1.4 Video conferencing has been transformed over recent years. Modern systems provide the highest real time video and sound quality in “face-to-face” communication over existing IP infrastructure. Additionally, video conferencing systems now possess the capability to share presentations and other computer applications alongside live video, record meetings for later streaming to desktop PCs and integrate with existing collaboration software packages from providers such as Microsoft and IBM Lotus.

1.5 Our response sets out the potential of visual communications in greening government, why we think this potential is not currently being realised and some suggestions for improvements.

1.6 Many people have had poor experiences of video conferencing in the past and are therefore sceptical of the benefits it can bring. TANDBERG would like to extend an invitation to the Committee to see one of our telepresence suites and how effective video conferencing can now be at first hand.

THE ROLE OF VISUAL COMMUNICATIONS IN GREENING GOVERNMENT

2.1 Research has shown that as much as 93% of communication between people is determined by cues such as body language¹⁷. Face-to-face meetings are seen as more personal and productive, whilst information in face-to-face meetings is easier to understand and retain than phone or email.

2.2 Face-to-face meetings are therefore essential to effective government. However, “face-to-face” does not always need to mean “in person”. Advances in video conferencing technology now mean that face-to-face meetings can be held at a distance over high quality video and sound links. Whilst there will always need to be some meetings that are held in person, today's video conferencing technology can eliminate the need to travel to many others.

¹⁷ Mehrabian A, “Silent Messages: Implicit communication of emotions and attitudes”, Belmont, CA: Wadsworth, 1981

2.3 By eliminating unnecessary travel, organisations can significantly reduce their impact on the environment.

In 2006 Vodafone employees made 13,500 fewer flights as a result of the use of video conferencing, saving thousands of tonnes of CO₂.

2.4 In addition to reducing carbon emissions, video conferencing brings a range of other benefits, including:

- Savings on travel, fuel, fleet and insurance costs
- Savings on overnight accommodation and subsistence costs
- Reduction in employee time away from the office
- Reduction in the time employees need to spend away from home, travelling early or late or staying overnight
- Increased efficiency from faster and better decision-making.

Volkswagen has reduced travel expenses by 30% through the use of video conferencing systems.

2.5 The scale of travel undertaken by ministers and civil servants in government departments and agencies means there is significant scope for carbon reductions through replacing travel with the use of video conferencing. Between April 2006 and December 2007 (the most recent complete set of figures available), the Government offset 128,482 tonnes of CO₂ from flights, equivalent to 306 million air miles¹⁸. In 2007–08, emissions from road travel by government departments equalled 148,762 tonnes and despite falling by 10% across all departments since 2005–06, some departments have seen only small reductions or even increases.

<i>Department</i>	<i>Co2 emissions during 2007–08 (tonnes)</i>	<i>% change since baseline (2005–06)</i>
ECGD	7.2	– 72.50%
HMT*	150.7	– 41.70%
LOD	1,927.9	– 24.50%
BERR	826	– 22.30%
DFID	14	– 22.20%
CLG	3,812.1	– 21.20%
HMRC	21,827.2	– 18.10%
DCMS	47.4	– 17.30%
MOJ	9,789.7	– 15.10%
DfT	9,748.1	– 14.50%
FCO	259.7	– 13.90%
DH	553.3	– 13.10%
DEFRA	2,1978	– 12.80%
DWP	20,082.6	– 5.80%
MOD	43,700	– 5.50%
HO	6,360	– 0.70%
FSA	100.4	– 0.60%
CO	34.6	0.00%
FC	3,034	2.50%
ONS	3,030	4.10%
DCSF	1,479	16.30%
TOTAL	148,762	– 10.30%

Seventh Annual Sustainable Development in Government (SDiG) assessment, 12.12.08

2.6 Video conferencing is already in use across all government departments, but its uptake is extremely variable, as these figures from a July 2007 Freedom of Information request demonstrate.

<i>Department</i>	<i>Number of VC units</i>	<i>Frequency of use</i>
Department for Children, Schools and Families (and former DfES)	60	Daily, with 1,060 conferences taking place in June 2007
Department for International Development	111	Over 500 conferences per month
Department for Environment, Food and Rural Affairs	15	Daily, with 339 conferences taking place between January and May 2007
Department for Work and Pensions	275	Over 1,000 hours per month
Foreign and Commonwealth Office	53	846 conferences in 2006
Department for Transport	8	Average of 46 conferences per month

¹⁸ Public servants clocked up 306m air miles last year, The Guardian, 25 March 2008

<i>Department</i>	<i>Number of VC units</i>	<i>Frequency of use</i>
Department for Communities and Local Government	4	359 conferences last year
Home Office	14	340 conferences in 256 days
Department of Health	36	Daily
Wales Office	2	Daily
Department for Business, Enterprise and Regulatory Reform (and former DTI)	22	Daily
Northern Ireland Office	7	Daily
HM Treasury	14	No records
Ministry of Justice	16	No records
Cabinet Office	21	No records
Department for Culture, Media and Sport	3	At least once a month
Ministry of Defence	No response received	No response received
Scotland Office	No response received	No response received

2.7 In some departments, use of video conferencing seems to be minimal, with DCMS for example saying at the time of this FOI that it only used its three sets “at least once a month”. In contrast, some departments and agencies have transformed the way that they work through the use of video conferencing and have delivered impressive carbon reduction, cost savings and productivity gains at the same time as improving the service that they deliver.

The Northern Ireland Prison Service

The Northern Ireland Prison Service has completely reformed the way prisoners attend court hearings by installing 132 video conferencing units as part of an integrated network across the criminal justice system. Inmates no longer travel to court for bail or remand hearings, instead appearing over video link from the detention centre where they are based. The savings from transport costs alone are estimated at £10 million per year.

Officials throughout the NI criminal justice system rely on video conferencing to streamline administrative business. The network links-up two dozen courthouses, three detention centres, 17 police stations, the Youth Justice Agency, the Department of Public Prosecutions, the Crown Solicitor’s Office, the Probation Board, the Legal Services Commission, the Police Ombudsman’s Office and the Assets Recovery Agency.

The resulting cost-saving benefits have been significant. Police officers have been transferred from escort duty to crime fighting and the throughput of cases in court has been increased. Around 50% of all pre-trial hearings are now conducted via video conferencing, including almost all bail and remand hearings.

2.8 It’s clear therefore that, whilst the use of video conferencing will never be the whole answer to the greening government challenge, its use has demonstrable benefits and few downsides.

BARRIERS TO ACTION AND RECOMMENDATIONS FOR CHANGE

3.1 The continuing variability of usage of video conferencing across government departments is therefore a concern. TANDBERG believes this is due in the main to a lack of leadership and the absence of key drivers of behavioural change.

3.2 As with any major behavioural change, political will and leadership from the centre will be required to ensure that the benefits of video conferencing are spread across all departments. Despite its proven benefits, there is no cross-departmental policy advocating the use of the technology and we would suggest that the Cabinet Office’s Transformational Government strategy should include a specific role for video conferencing across government departments and in the delivery of public services.

3.3 The targets in the framework for Sustainable Operations on the Government Estate (SOGE), set by the Prime Minister in 2006, include a target to reduce carbon emissions from road vehicles for administrative operations. Important though it is to reduce emissions from road travel—a 10% reduction has been delivered against this target—this ignores the carbon emitted by journeys made by either air or rail, which are at least as big as those from road vehicles. The SOGE framework will only ever be a limited driver for reduced travel and its associated emissions in this case and the SOGE transport target should include *all* travel made by ministers and civil servants.

3.4 Entrenched behaviours—such as travelling to meet colleagues for meetings—do not change overnight. All departments should actively promote video conferencing internally to encourage staff to switch from unnecessary travel to video conferencing.

3.5 The Government's programme of offsetting flights made on government business—whilst a positive step—may in fact have the unintended consequence of leading civil servants and ministers to believe that they do not need to take action to reduce unnecessary flights. We believe that offsetting should exist in an emissions reduction hierarchy that compels and incentivises reduction of travel over offsetting.

3.6 One way to do this would be to introduce a presumption against travel, and give every government employee a personal responsibility for justifying their travel. We believe that civil servants should have to justify the necessity of travel and demonstrate that the use of video conferencing wasn't a suitable alternative on travel requests and expenses forms.

3.7 We are concerned that the Government's Greening ICT strategy is aimed almost exclusively at reducing the overall carbon emissions of the Government's ICT use and doesn't appear to contain a mechanism for assessing the impact that new ICT investment might have in reducing emissions elsewhere, for example by reducing the need for civil servants to travel. We believe that the Greening ICT strategy should take a more holistic approach to the impact of ICT on the environment, positively recommending the expansion of ICT that would reduce overall emissions, even where such expansion may cause the proportion of emissions from ICT to rise.

CONCLUSION

4.1 In conclusion, TANDBERG believes that the benefits for the Government of video conferencing are too large to ignore or leave to chance. A relatively simple switch from travelling to hold most meetings in person to holding meetings face-to-face by video conference would result in significant reductions in carbon emissions and costs, increases in productivity and standards of services and improvements in work-life balance for ministers and civil servants alike.

4.2 With a relatively simple set of changes to targets and practices, TANDBERG believes that the benefits of video conferencing can be spread across government.

4.3 Many people are surprised when they see the quality of today's video conferencing technology and TANDBERG would welcome the opportunity to demonstrate its possibilities to the Committee at your convenience.

21 April 2009

Memorandum submitted by WWF-UK

SUMMARY

- Reducing emissions from travel should be a strategic priority for Government operations as they represent a large percentage of its overall carbon footprint.
- Greater ambition in setting the Government's own carbon reduction targets needs to be seen in order to match the ambition level of, and be consistent with, national policy.
- The SOGE framework needs to be fundamentally changed in order to include flying and other forms of travel, with mandatory reduction targets being set in order to reduce both carbon and costs.
- Cutting back on unnecessary flying and using more videoconferencing and other alternatives are ways that Government can lead by example and reduce its environmental impact from travel, with the purchase of Gold Standard credits as a last resort.
- Cutting down on flying would also represent a major cost saving at a time when efficiency savings within Government are an urgent priority.
- WWF is running a guided programme that challenges businesses to cut One in Five flights, and we invite Government to participate in order to support more sustainable travel practices and to demonstrate its commitment to carbon reduction.

1. WWF-UK welcomes this opportunity to submit its views on how Government can reduce the environmental impact of its operations and lead by example on sustainable development. Our evidence is focussed on the need for Government to reduce its environmental impact from operations by implementing lower carbon business travel practices and including these emissions within targets for all government departments. Of the subjects suggested by the Committee we are chiefly providing comments relevant to the following:

- the role of the Centre for Excellence in Sustainable Procurement and the Minister for Transformational Government in co-ordinating and driving forward activity across government;
- the gap between the level of ambition set for the UK by government policies and the level of ambition the Government sets itself within the Sustainable Operations on the Government Estate (SOGES) framework;

- whether attainment of SOGE targets at the level at which they are currently set would result in sustainable operations;
- the planned review of the SOGE framework;
- the use of carbon credits and offsetting in achieving targets; and
- the Government’s Greening ICT strategy.

2. WWF welcomes the recent establishment of the Centre for Excellence in Sustainable Procurement (CESP) within the Office of Government Commerce (OGC) and the appointment of a Cabinet Office Minister responsible for co-ordinating work on sustainable operations and procurement across Whitehall and Government. We call on CESP and the Minister for Transformational Government to play a pivotal role in creating and implementing a sustainable travel policy which sets best pan-governmental practice to reduce carbon emissions from both administrative and operational travel. This includes setting mandatory targets for reducing carbon emissions from flying and monitoring achievement of these targets. We are pleased that CESP is currently working with the Sustainable Development Commission (SDC) to develop a sustainable travel policy. WWF also welcomes the Sustainable Travel Engaging the Public Sector (STEPS) initiative being sponsored by CESP and SDC, which we consider to be an important step forward in taking a more co-ordinated approach to sustainable travel across government departments.

3. At a recent seminar hosted by OGC and SDC¹⁹ and attended by WWF, a speaker from the SDC said that the Government spent £5.4 billion on transport and travel in 2006 and these activities represent between 25% and 75% of the Government’s overall carbon footprint. A further speaker from the Office of Government Commerce Buying Solutions (OGCBS) stated that, in his department, air travel accounts for 33% of all CO₂ emissions from travel. These figures show why reducing travel, and especially flying, should matter to Government. They also closely tally with WWF figures from discussions with large corporates, which show that flying represents from 10 to 50% of their carbon footprint. Given this similarity, we would argue that there should be much more learning shared between the public and private sectors to see how a more sustainable travel policy, which cuts unnecessary flying, can be planned and implemented.

4 In WWF’s *Travelling Light* report²⁰ which examined the future travel intentions of FTSE 350 companies, a real appetite for change was apparent, with 89% of the UK’s largest companies expecting to fly less within the next 10 years, 85% expecting to use more videoconferencing in order to reduce their flying and 77% expecting to travel more by rail. Although many companies are motivated, at least initially, by cost reduction as the main reason to reduce their flying, the environmental benefit of significantly reduced carbon emissions is also abundantly clear. Rather than staying behind the curve, government departments should be following the business trend of redefining their travel strategy in order to seek lower cost, as well as lower carbon ways of staying connected.

5. The level of ambition set for the UK by government policies is contained in the Climate Change Act, which requires the UK to reduce its greenhouse gas (GHG) emissions by 80% from 1990 levels by 2050. Emissions from aviation, although not explicitly included in the UK’s five-yearly carbon budgets, need to be accounted for within this total. The current SOGE target to reduce carbon emissions from offices, by 30% by 2020 against 1999–2000 levels,²¹ compares unfavourably with the UK’s interim target for GHG reduction of 34% by 2020 against 1990 levels (which should rise to at least 42% once a new global climate agreement is signed at the end of the year). Therefore, the national ambition level has so far not been matched by that which the Government sets itself within the SOGE framework. Indeed, emissions from flying and other modes of transport are not even included within this framework, thereby omitting a substantial percentage of Government carbon emissions and showing little consistency with Government policy.

6. According to the Sustainable Operations Targets announced by the Prime Minister in June 2006,²² SOGE targets for travel are limited to “road vehicles for Government administrative operations” only but exclude carbon emissions from taxis, planes and trains plus “operational travel”. WWF questions whether sustainable operations can ever be achieved by targets that omit a significant percentage of Government carbon emissions. This is rather like weighing yourself while keeping one foot on the floor—it isn’t giving the whole picture. Having incomplete targets can also encourage undesirable travel behaviour. At the previously mentioned sustainable travel seminar, WWF heard that some civil servants were choosing to fly rather than drive in order to meet their departmental SOGE targets for road vehicles.

7. WWF recommends that all aspects of travel for both administrative and operational purposes are included within SOGE targets, including emissions from flying. We welcome the fact that the SOGE framework is under review and call on CESP to make these targets far more transparent and comprehensive. Already, we understand that many departments such as HMRC, Defra, DfID, and OGCBS are seeking to reduce their flying. However, until such targets are mandated they are unlikely to be monitored or achieved, which is why emissions from flying and other modes of transport need to be included in the SOGE framework.

¹⁹ OGS/SDC Sustainable Travel Seminar, London, 5 March 2009

²⁰ WWF-UK *Travelling Light*: Why the UK’s largest companies expect to fly less (May 2008), available to download at www.org.uk/oneinfive

²¹ <http://www.defra.gov.uk/sustainable/government/documents/Targets.pdf>

²² ditto

8. WWF welcomes the recent announcement from Joan Ruddock, Minister of State at DECC, that the Government intends to continue its Carbon Offsetting Fund and wishes to support the Gold Standard from carbon offsets.²³ Offsetting to achieve SOGE targets, however, only really makes sense if emissions from flying are included, especially as flying emits more CO₂ emissions than any other form of travel—four times more than rail and twice that of cars and taxis per gCO₂/pkm.²⁴ Under this scenario, WWF would recommend that offsetting is only ever used as a last resort for unnecessary flying, with the purchase of Gold Standard credits only.

9. As part of the Government's Greening ICT strategy, WWF calls on Government to invest in and use more videoconferencing to reduce the need to fly. The many benefits to Government of taking this action are indicated by the findings of a survey with DfID employees²⁵ which examined their experience of using videoconferencing. This survey found that 47% of DfID employees believe there is scope to replace more meetings with conferencing technologies, 37% believed that conferencing had reduced their travel and 38% believed that conferencing had positive effects on their work-life balance.

10. WWF's experience of working with private sector companies shows that videoconferencing can be used most successfully for internal meetings, where relationships are already well established, and where several people need to meet in two or more locations. We believe that this represents a significant proportion of Government meetings. Research published by University College London (UCL) shows that where video, web or audio conferencing are installed with the expectation of replacing a face-to-face meeting, they can reduce the need to travel by between 10 and 30%.²⁶

11. There are numerous examples of private sector companies who have made substantial cost savings by using modern telecommunications to cut flights, both in direct costs of flights and in improved productivity:

- The Man Group estimates annual savings at around \$1 million.²⁷
- Accenture saved \$5.6 million in the first six months after installing telepresence suites at a number of global offices.²⁸
- GlaxoSmithKline recouped its investment in telepresence after just three months, and now enjoys 20% lower travel costs, saving the company \$25 million a year. It also calculates that lost productivity through travelling time has reduced 50%.²⁹

12. WWF believes that substantial travel reduction and therefore major cost saving could also be achieved by Government. This would be invaluable at a time of growing public scrutiny of government expenditure and the number of flights taken by ministers and civil servants³⁰, and would also contribute to a significant drop in government CO₂ emissions from travel. Government would also be seen to be leading by example and demonstrating best practice in terms of sustainable business travel.

13. Responses received to Freedom of Information requests from July 2007, as reported in a Discussion Document from Tandberg,³¹ show that there are vast differences in the number of videoconferencing units owned by different government departments, and in the frequency of their use. In order to achieve more consistency across government departments, WWF call on the Government to take active measures to promote greater use of videoconferencing and to encourage civil servants to use video and other forms of conferencing as a travel substitute.

14. WWF calls on individual government departments to join its One in Five Challenge, our new initiative to cut business flying by 20% within five years. Not only would such participation help to measure and report emissions from flying in order to meet carbon reduction targets, it would also help to encourage and embed greater use of alternatives such as videoconferencing and rail. Furthermore, it would demonstrate Government's commitment to reducing travel emissions. Participation would also help Government to learn from the private sector as most One in Five Challengers are large corporates.

15. WWF-UK would be happy to provide oral evidence as part of this inquiry, sharing our experience of working with business to reduce their travel emissions.

24 April 2009

²³ DECC press release: "Government demands gold standard from carbon offsets," 16 April 2009

²⁴ ATOC: Energy and Emissions Statement, p5, October 2007

²⁵ Prof P James, 4D Work and SustainIT: "Conferencing at DfID: The Economic, Environmental and Social Aspects," p3-4, May 2007

²⁶ Dr S Cairns, Transport Studies, UCL: "Can teleconferencing reduce business travel?," p1, Jan 2009

²⁷ WWF-UK Travelling Light: Why the UK's largest companies expect to fly less (May 2008), available to download at wwf.org.uk/oneinfive, page 23

²⁸ http://www.aef.org.uk/uploads/Accenture_case_study___Saskia_Merriman.pdf

²⁹ <http://www.teliris.com/assets/files/CaseStudy/GlaxoSmithKline%20Case%20Study.pdf>

³⁰ Independent: "Jet-setting government clocked up 300 million air miles last year," 25 March 2008

³¹ Tandberg Discussion Document: "Leading by example? Government progress on reducing its travel emissions," April 2008