

UK retailers and climate change: The role of partnership in climate strategies

EPRG Working Paper 0928

Cambridge Working Paper in Economics 09/50

Aoife Brophy Haney, Ian W.Jones and

Michael G. Pollitt

Many companies in the UK are now embracing the challenges of climate change and incorporating various types of climate actions into their corporate responsibility (CR) programmes and in some cases their business strategies. In recent years there have been marked improvements in the quality of carbon and energy information disclosed by companies. This trend is set to continue, particularly as changes in the regulatory framework - in particular the advent of the Carbon Reduction Commitment - encourage less energy-intensive companies to collect and report data on energy and emissions.

We focus on a sample of 60 firms in the retail sector firstly because a substantial part of retail sector emissions are electricity-related which means the retailer has considerable management control over its carbon impact; secondly because retailers as the link between producers and consumers have significant influence over an even larger share of emissions than those directly associated with their business; and thirdly because consumers exert a considerable amount of influence over retail companies through the buying process which means that retailers have become very conscious of consumer perceptions of their image.

The three main questions we are concerned with are: (1) how committed are companies at this point in time to carbon reduction as demonstrated by their climate strategies; (2) are companies engaged in partnerships with outside organisations (e.g. with NGOs) more likely to be more committed; and (3) what distinguishes those that are more and less highly engaged in partnerships.

On (1) we find that commitment to effective climate strategies in the retail sector is far from universal. Target setting is the main category of best practice where most progress has been achieved. The impact of target setting is questionable, however, particularly given that the measurement of carbon emissions and energy usage, progress reporting and the use of baselines for target-setting are areas in need of significantly greater attention. The majority of companies surveyed also indicate that energy use and carbon emissions reduction are now integrated to some extent within core business strategy. However a substantial number of companies (11 out of 60) failed to score any points in our best practice index which is surprising, given the increasing pressure on retail companies to address climate change and the fact that our sample comes from the top 800 UK companies by value added.

On (2) there are clear trends indicating that higher best practice performance in climate strategies goes hand-in-hand with higher levels of partnership. We initially hypothesise that this could be due to partnership being viewed as an effective means of reducing transaction costs. Measuring energy usage and emissions, setting targets, keeping track of progress and engaging stakeholders takes time, uses up scarce resources and requires specialist knowledge and skills. From the results of our survey of companies, we can say for certain that none of the companies in our sample exhibit a combination of high partnership score and low best practice score. Furthermore, there are only one or two examples of companies achieving high best practice scores and relatively low partnership scores.

On (3) we see that the effect of partnership on best practice varies according to partner type; academic institutions having the largest effect. Most partnerships involve some form of donation or payment for services; those that go beyond this and involve advice services, longer-term engagements, board-level commitment and support for wider-reaching climate-related projects tend to be more successful in improving climate strategies. Our results also suggest that partnering widely across different types of organisations is a significant factor in determining the overall impact of partnership on best practice. Tailoring partnership models and ultimately making partnership more attractive for smaller companies could go a long way towards improving best practice throughout the retail sector rather than simply confining it to a small number of high profile candidates.

Contact ab748@cam.ac.uk
Publication November 2009
Financial Support ESRC TSEC 1