

UNFINISHED BUSINESS

Putting small business energy policy back
on the table.

DECEMBER 2022

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1. Foreword

Energy has often been one of the highest priority issues for the business community. While other priorities took precedence during the pandemic, it is moving up the agenda once more.

Since Business NSW began this project, the energy landscape has shifted in significant ways. Energy costs have been thrust back into the spotlight. The spillover from the Ukraine conflict, combined with domestic supply problems, led to a crisis in June 2022 which precipitated the temporary suspension of the National Electricity Market. High prices now characterise wholesale markets, both the present-day spot market and subsequent years' futures prices.

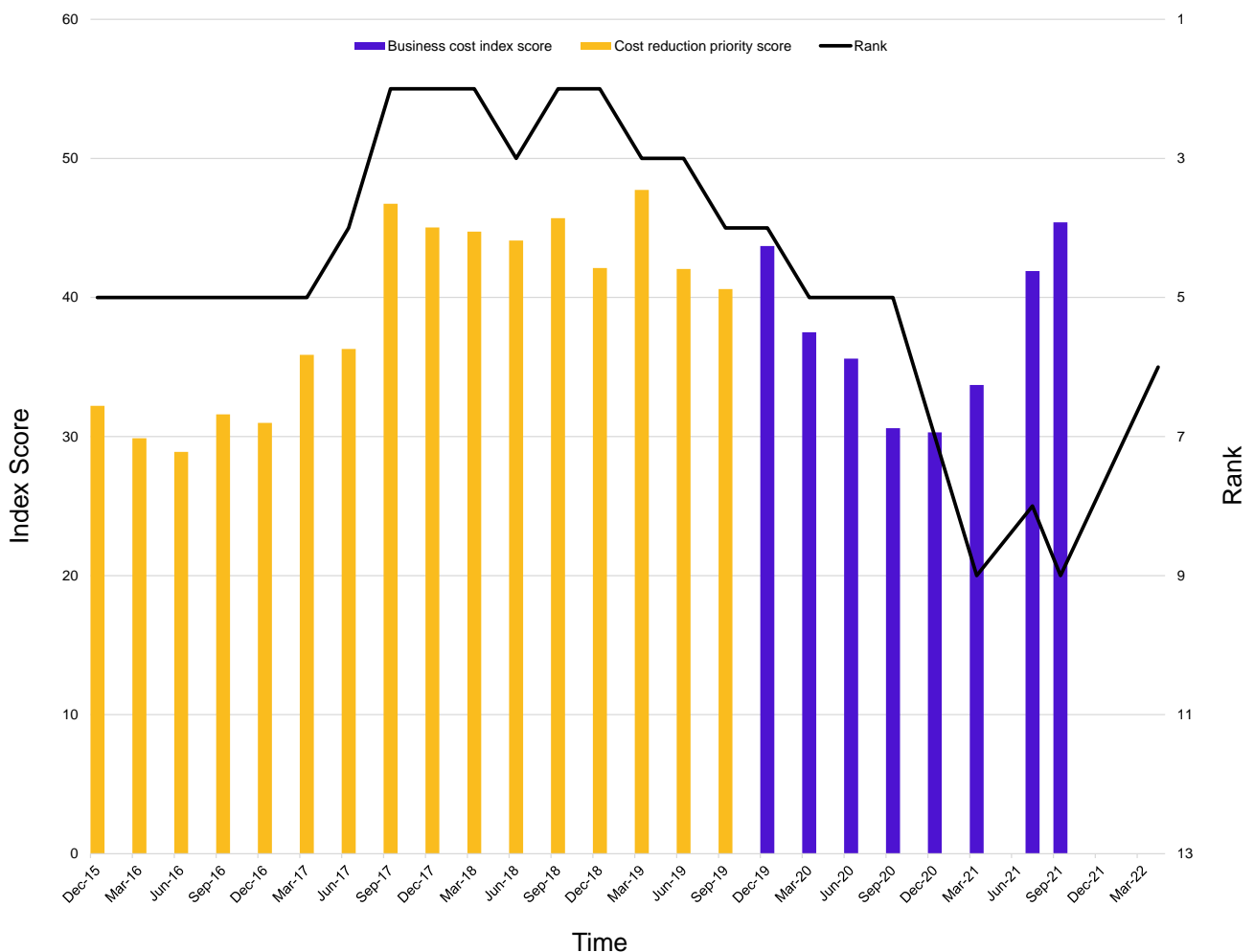


Figure 1: Source - Business NSW Business Conditions Surveys, 2015-present

Planning for a net zero economy is more of a factor than ever, as the Commonwealth Government joins all states and territories in adopting the objective of reaching net zero emissions by 2050 or sooner. Major programs of energy system reform and investment in infrastructure will reshape the way businesses interact with energy and the outcomes they will get from the system.

To get good outcomes from the energy system, businesses are expected to interact with the system in a variety of ways. However, in reality, outcomes often fall short of what is desirable, as outlined extensively by the ACCC in its 2018 Retail Electricity Pricing Inquiry.¹ In the follow-up to that Inquiry, the Commonwealth Government established Business Energy Advice Program (BEAP), which Business NSW delivered under its Business Australia brand.

With the BEAP running for three years from 2019, this research project was devised to inform the design of a follow-on or successor advice program, as well as to inform Business NSW's business energy advice and support activities. As the initial BEAP program ceased delivery at the end of August, we are now even more firmly focused on what could come next.

In producing this research, Business NSW is not pretending to be a disinterested bystander. We are proud of the BEAP's record and its accomplishments. Despite operating most of its life against the backdrop of the COVID-19 pandemic, the BEAP still managed to reach one in every 14 Australian businesses in the target demographic (6-20 employees or 1-20 employees in drought affected areas).

Yet despite the outreach by the BEAP, the problems faced by small businesses – as identified by the ACCC in 2018 – have not gone away, and in some cases are worse now than they were. A changing energy market, with an explosion of new technology, new service types, new data and new needs, is more complex to navigate than ever. Thanks to the events of early 2022, costs are once again high. And with BEAP now closed, businesses have fewer places to turn for help than they did a year ago.

This survey shows what small and medium-sized enterprises (SMEs) need from future energy policy programs, and what could be accomplished by policymakers with a renewed focus on SMEs. It indicates how to get quality energy advice to businesses; where to focus energy efficiency efforts for the SME sector; and the necessity of incorporating net zero readiness into future SME-oriented energy programs.

Business NSW will do its part to support the business community through the energy transition. But we need support – and more importantly SMEs need support – from governments across Australia if the transition is to be as business-friendly and pain-free as possible.

We are very grateful to Energy Consumers Australia (ECA) for funding this work through its CEO Grants program. This work sits at the intersection of Business NSW's mission to create a better Australia by maximising the outcomes and potential of Australian Business, and ECA's mission that consumer values, expectations and needs are realised through a modern, flexible and resilient energy system. We look forward to continuing to collaborate with ECA to ensure that the messages from this research are heard.

David Harding

Executive Director - Policy and Advocacy



¹ https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_0.pdf

2. Methodology

This survey was carried out online. It was in the field during June-July 2022.

The initial sample comprised Business NSW and Business Australia members, customers, and past clients of the Business Energy Advice Program. This sample was supplemented via recruitment service PureProfile. PureProfile respondees were incentivised to complete the survey. Measures were put in place to prevent gaming of the incentive by PureProfile respondents, requiring them to take a pre-determined amount of time to prevent rushing through, and to eliminate any responses with a clear pattern of unreliable responses (e.g. if a respondent chose the first option to every question).

In order to participate in the survey, businesses had to meet the following criteria:

- The business operates in a commercial or industrial building - owned or leased, mobile locations (e.g. tradespeople working at other people's homes), multi-site or other locations. (ie sole traders, small business operated from home, shared or sublet office, serviced office, co-working space, etc are not included).
- Between 1 - 200 people are employed in the business in all offices / branches (i.e. the business is an SME)
- The business is located in a National Energy Market state (i.e. excluding Northern Territory and Western Australia)

In addition, the individual respondents had to have direct involvement in energy decisions, sustainability and environment practices, managing utility providers, paying energy bills, procurement / sourcing providers, investment in upgrades or facilities management.

The most common reason for respondents not meeting the criteria to complete the survey was a lack of involvement in energy decisions.

The final sample of businesses meeting the criteria that started the survey was 658. Sample sizes for individual questions vary as respondents were skipped past questions not relevant to their business. Sample sizes are indicated against each question in the survey reporting.

3. Key Findings & Recommendations

The survey results demonstrate the continued value of providing energy advice and support to SMEs. The recommendations set out what Business NSW views as the key features of the next generation of energy support. Cumulatively, they form the central recommendation:

Recommendation 1: Establish a new energy advice and support program targeting the SME sector.



Advice

The most used sources of advice to business were among those they found least useful, while the most useful sources of advice were among the least used. Business/engineering consultants and peak bodies were seen as being the most useful sources of advice (>50 per cent report them being very or extremely useful), but fewer than 15 per cent of businesses had sought advice from those sources. In comparison, although energy companies and online research were identified as the least useful sources of advice (<40 per cent report them being very or extremely useful) these were by far the most commonly used sources of advice.

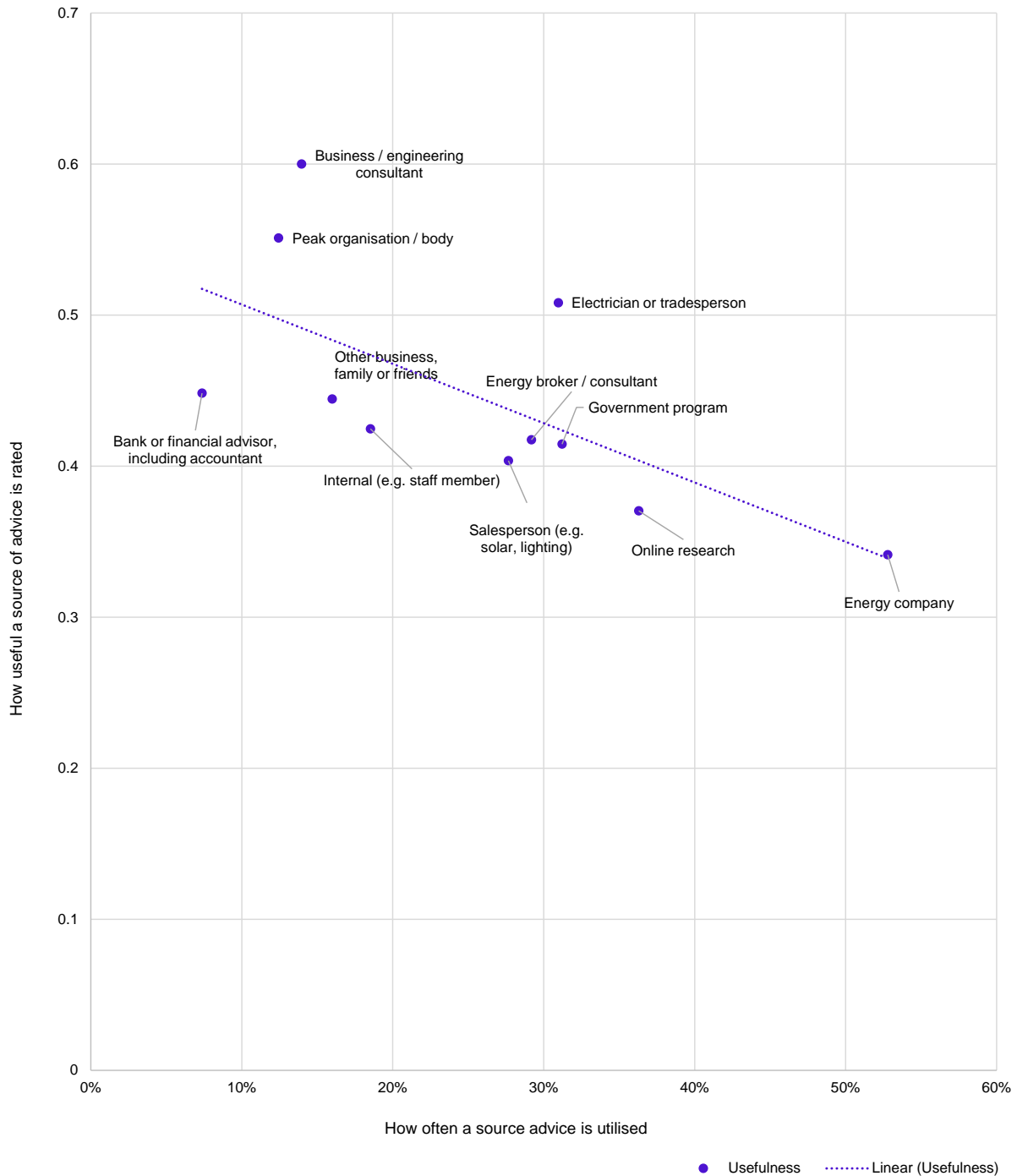


Figure 2: Usefulness (n=394) vs utilisation (n=384)

Recommendation 2: Expand businesses' access to advice from trained engineers or peak bodies with industry sector expertise.

Expanding businesses' access to advice from trained engineers or peak bodies with industry sector expertise potentially offers a significant improvement in the value businesses place on the advice received. As a peak body which has provided expert energy consultancy to businesses over recent years, Business NSW is certainly supportive of efforts to expand this model of advice delivery to SMEs. To reach more businesses in the years ahead requires a new program with an expanded remit and with resourcing to maintain advice that is free and independent.



Recommendation 3: Messaging for SME energy policy should emphasise environmental and community benefits as well as financial impacts.

A variety of messages are needed to encourage businesses to reach out for energy advice. While a focus on financial impacts may address the most common reasons for seeking advice, it still leaves out half the population of businesses.

This neglected half of businesses may be better engaged with messaging that emphasises environmental and community benefits rather than direct appeals to self-interest.



Recommendation 4: Target the agriculture forestry and fishing and construction sectors for further energy advice and support.

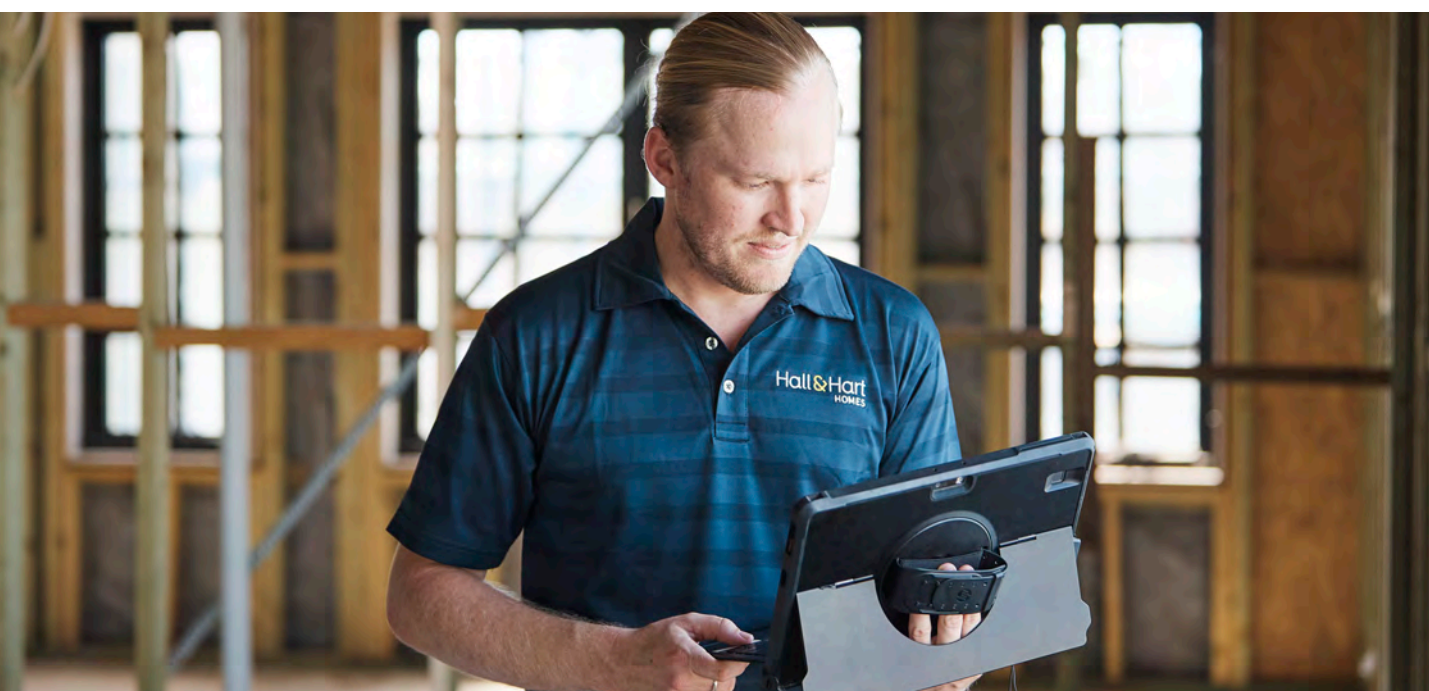
Agriculture forestry and fishing and construction were significantly less likely than other tangible product sectors such as manufacturing and mining to have sought advice on lowering energy bills. There is an opportunity for greater efforts to target the agriculture forestry and fishing and construction sectors for further energy advice and support.



Recommendation 5: Embed net zero and energy transition in future SME-focused energy advice and support programs.

Business support for net zero is relatively strong, with 53 per cent of businesses indicating they were either supportive (33 per cent) or very supportive (20 per cent). A further 33 per cent stated they were neutral, while just 15 per cent were either unsupportive (seven per cent) or very unsupportive (eight per cent). Support for net zero is strongly predictive of whether the business has developed a plan to reach net zero. Across all businesses, 40 per cent have a net zero plan at some stage of development. However among those supportive of net zero targets, the figure rises to 50 per cent. Conversely, among those most unsupportive of net zero, just 15 per cent have begun development of a net zero plan for their business. Four per cent of businesses responded that they had already achieved net zero.

SMEs that are on the net zero emissions path are moving quickly, but the implications of net zero for businesses are not well understood even by businesses who have set themselves a net zero target. Awareness of the implications of the transition to a net zero emissions economy is still limited among the business community. A majority of respondents had either not heard of net zero targets (20 per cent), or had heard of them but did not understand how their business would be affected (41 per cent). Only 13 per cent of respondents were confident they fully understood the implications for their business.



Recommendation 6: Advice for SMEs on net zero will be a growth area over coming years. Government agencies, businesses and NGOs who advise on net zero matters need to work harder to tailor their activities to the needs of SMEs.

In general, the sources businesses draw on for advice on net zero align with the sources they go to for more general advice, however, there are several striking exceptions to this pattern. Energy companies, who are by far the most common source of advice on general energy issues are only the third most used source for advice on net zero. Similarly, salespeople, consultants and tradespeople who are significant sources of advice on general energy issues are much less utilised for net zero advice than general energy advice. The degree of reliance on online research and government funding is indicative of a significant capability gap from the private and NGO sectors in providing practical advice to businesses supporting their journeys to net zero.

ACTION 1

Business NSW is developing an offering to businesses supporting efforts to reach net zero objectives and cope with energy transition. We intend to align with NSW and Commonwealth policy as it develops. Business NSW is presently establishing its own net zero pathway, and intends to use that knowledge to empower it to be a credible voice to advise members on net zero matters.

Businesses who indicated they were aiming to reach net zero by a target date, but had not yet achieved it, were asked what date they are targeting to reach net zero. The vast majority of respondents (84 per cent) indicated they were aiming to reach net zero by 2030 with six per cent aiming to hit net zero within the next year and a further 40 per cent aiming to get there by 2025. Very few businesses (three per cent) who have set themselves a net zero objective have aligned to the economy-wide target date of reaching net zero by 2050.

Recommendation 7: Policymakers need to take greater account of the willingness of a significant portion of the SME community to strive to reach net zero emissions well in advance of official government targets.

Businesses' ability to reach their ambitions will be shaped by progress across areas of energy and emissions policy as well as the actions they are able to take within their own businesses.



Recommendation 8: Introduce subsidy for the SME sector focused on heating, ventilation, and air conditioning solutions, as previously done for LED lighting.

The combination of a compelling business case, widespread technology, and funding as the major barrier to implementation makes a strong case for future government subsidy programs for the SME sector to focus on heating, ventilation, and air conditioning (HVAC), as it has done previously for LED lighting.

Energy efficiency may be the 'public benefit' – reduced energy demand lowers emissions and reduces the need for investment in costly capital infrastructure. But for businesses, energy efficiency is rarely their primary objective. Rather, they seek to improve their productivity to get more output from the same amount of input, or to reduce inputs for the same amount of output. For businesses who are growing, or aspiring to grow, a focus on efficiency read as simply cutting demand does not meet their needs; they want to know how replacing equipment can help them produce more, waste less, or make better products. This implies a shift from centring the discussion on energy to the business's products and its bottom line.

Nevertheless, when asked about energy efficiency, funding remains the critical barrier to improving business energy efficiency. Forty-seven per cent of those who had sought advice but not taken action said funding was the obstacle. Time was next most cited, at 29 per cent. Governments have the opportunity to help address this barrier by maintaining and strengthening grants and subsidies to address SME energy needs.

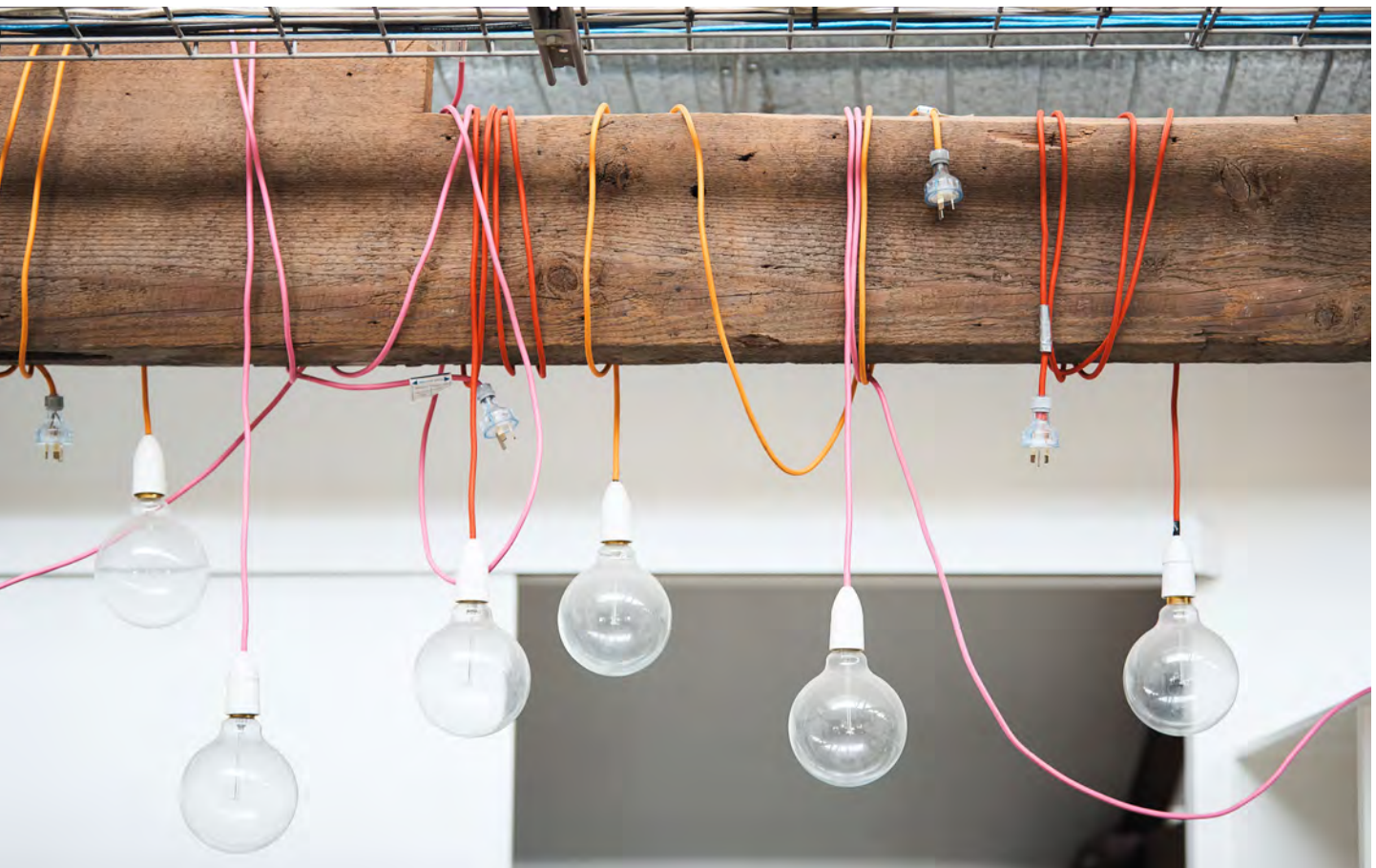
LED lighting upgrades are the efficiency measure that most businesses have already implemented, with 56 per cent of businesses having done so. Even here, though, where the business case is relatively clear (just 13 per cent of businesses view the business case as unconvincing, see below) 20 per cent of businesses have not explored getting a lighting upgrade and a further 17 per cent have explored but not implemented lighting upgrades. This indicates the extent of 'low hanging fruit' still available. As the results below indicate, access to funding for LED upgrades remains a barrier, despite government efforts in some states to sponsor lighting replacements.

The results indicate HVAC upgrades to be an obvious target for future energy efficiency policy support. It is a relatively universal technology type (the third least likely of the options surveyed to be viewed as "not relevant"), but current implementation of upgrades lags behind lighting and office equipment. The business case for HVAC upgrades rates as the second-best of the efficiency options surveyed, behind only LED lighting. Funding for HVAC upgrades is also a markedly more significant barrier compared to the other barriers: those who have not undertaken lighting or office equipment upgrades are only 3-4 percentage points more likely to cite funding versus having other priorities as their main barriers. For HVAC that gap is 12 percentage points (the joint largest gap along with refrigeration between funding and other barriers).

Recommendation 9: Messaging around new energy technologies needs to account for the differing reasons businesses choose to adopt them.

Energy technologies could be divided into two groups – those for which financial benefits were the primary driver and those for which environmental benefits were the primary driver. Adopting a green electricity provider was a choice where environmental benefits dominated; signing up to a Power Purchase Agreement (PPA) was a choice where financial benefits dominated. Community and customer expectations were lesser factors, while pressure from competitors' behaviour was the least consequential motivating factor.

A narrow focus on direct financial benefits will omit a significant share of the potential market for new energy technologies.



Recommendation 10: Establish a loan / grant program to allow SMEs to overcome financial barriers to battery purchases to enable more efficient utilisation of solar resources. Investigate the merits of an REC-style certification scheme for distributed batteries.

The analysis indicates two routes to expand battery take-up by SMEs. The first is further expanding access to solar, which helps create a business case to also invest in batteries. The second is to provide greater financial support or subsidy for battery take-up, to overcome the funding barrier.



4. Full Survey Results

Business demographics

Within the SME sector, responses were spread out relatively evenly. Fifty-six per cent of responses came from businesses classed as small by headcount (20 per cent with 1-4 employees and 36 per cent with 5-20 employees). At the smaller end of medium-sized businesses, 21 per cent of respondents had 21-50 employees, 13 per cent between 51-100 employees, and eight per cent at the larger end of medium-sized business with between 101-200 employees.

To maintain the focus of the research on Small and Medium-sized Enterprises (SMEs) sole traders and large businesses were excluded from the findings (see Methodology).

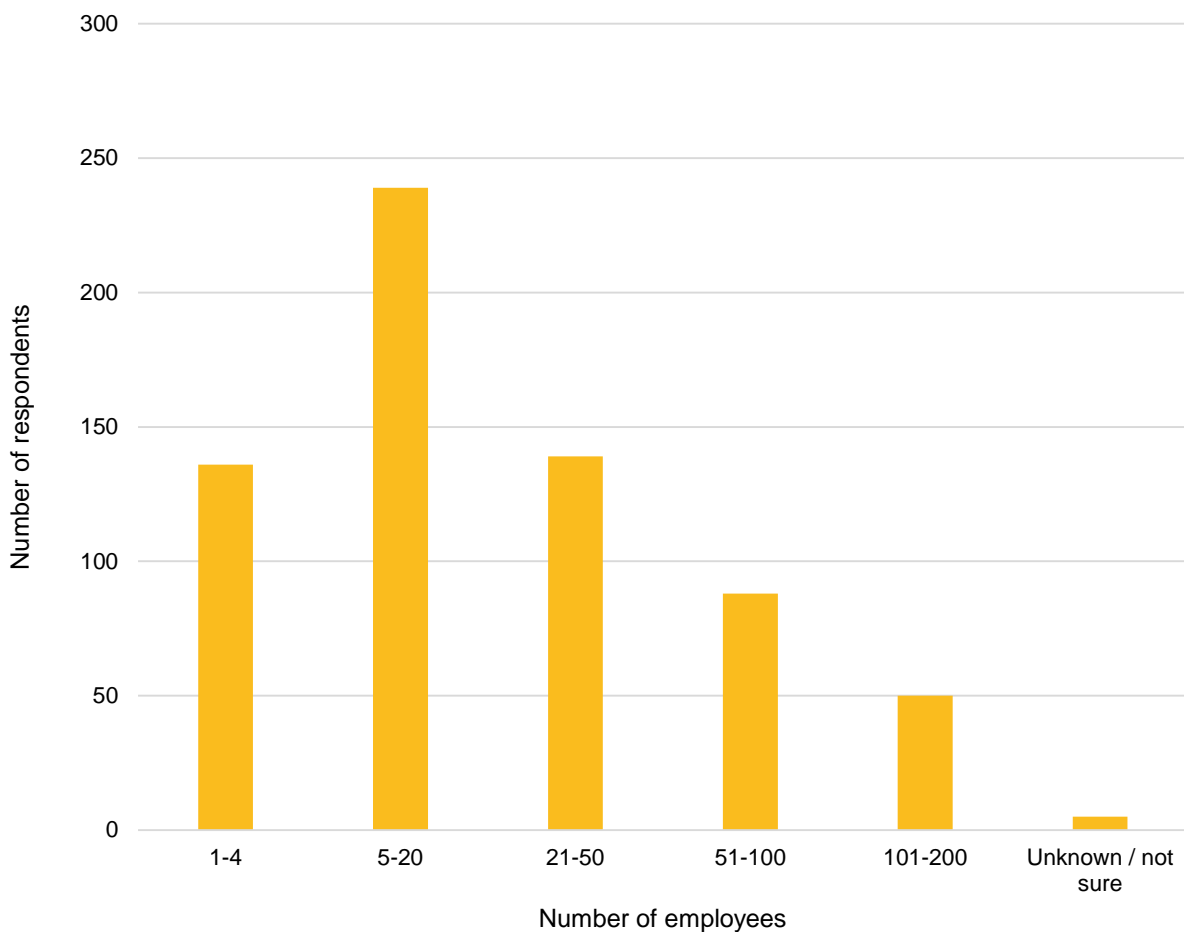


Figure 3: Approximately how many people are employed in your business in all offices / branches? (n=658)

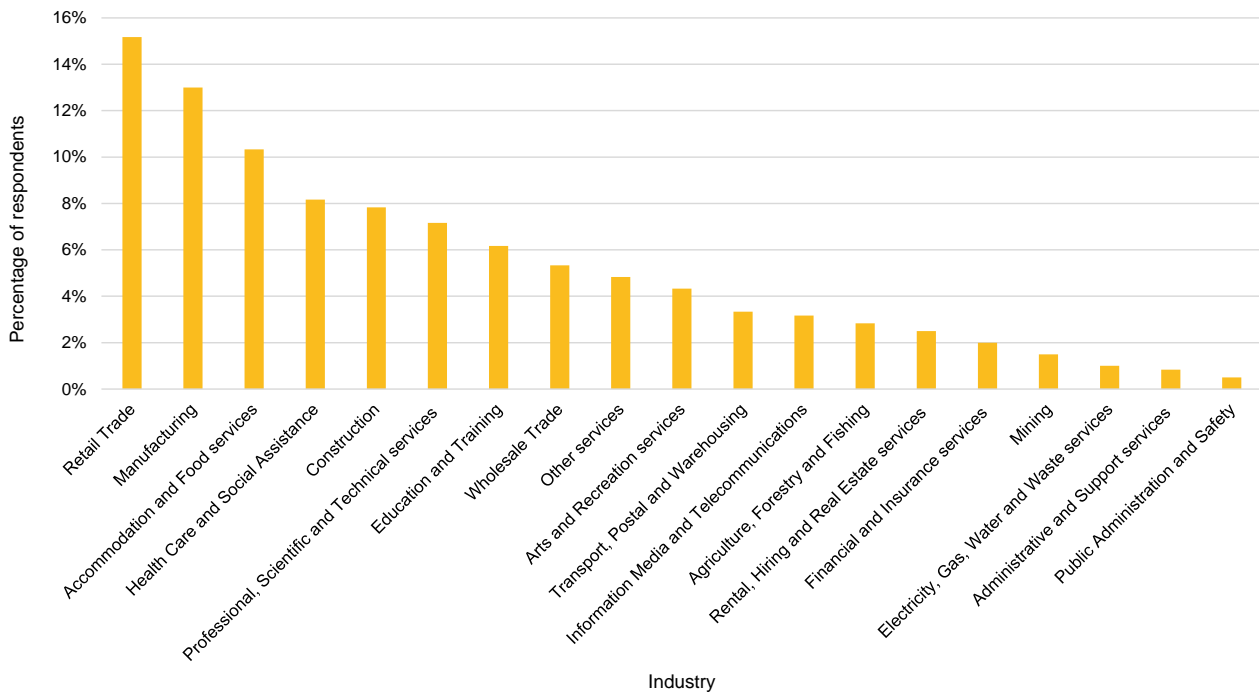


Figure 4: In which industry does your business mostly operate? (n=658)

Businesses responded to the survey from across the range of industry sector codes with retail, manufacturing, accommodation and food services sectors the most represented in the sample.

State	Percentage of respondents	Percentage of Australian businesses excluding WA & NT ²	Difference between survey sample & population
Victoria	38.8%	35.5%	+3.3%
NSW	30.2%	36.6%	-6.4%
Queensland	21.8%	19.6%	+2.2%
South Australia	6.0%	5.3%	+0.7%
ACT	1.9%	1.9%	0%
Tasmania	1.3%	1.1%	+0.2%

Figure 5: Respondant breakdown by State

² Australian Bureau of Statistics data, December 2021

We sought to approximate the distribution of businesses across the National Electricity Market (NEM) states in responses to the survey. The sample corresponds closely to the population, with only a slight under-representation of NSW and over-representation of Victorian and Queensland businesses.

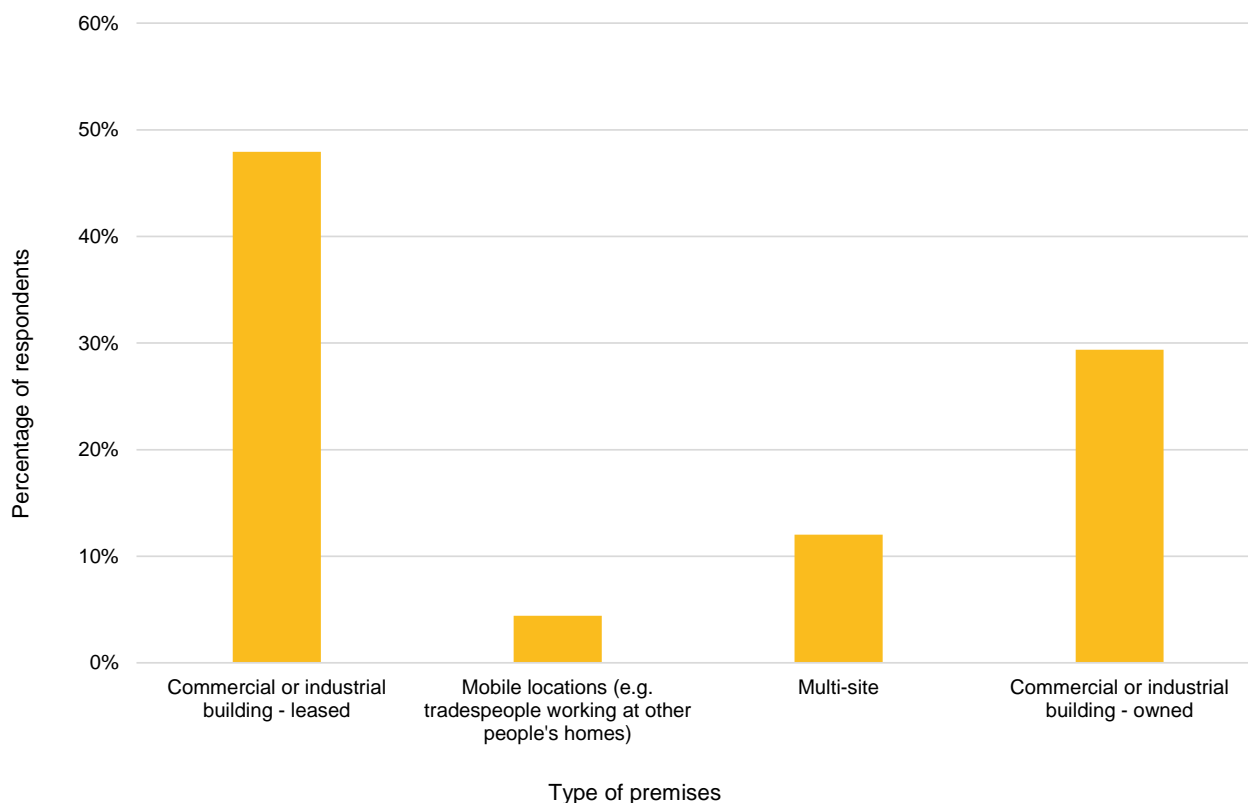


Figure 6: Which of the following best describes where your business operates from? (n=658)

Just under half of respondents lease their commercial premises, while 28 per cent of respondents own their property. Four per cent of respondents have a mobile operations base, and 12 per cent had multiple sites. Businesses operated out of homes were not eligible to complete the survey to avoid conflation of residential and SME energy experiences.³

³ Energy Consumers Australia's Energy Consumer Behaviour Survey included home-based businesses in its small business sample. <https://ecss.energyconsumersaustralia.com.au/behaviour-survey-oct-2021/>

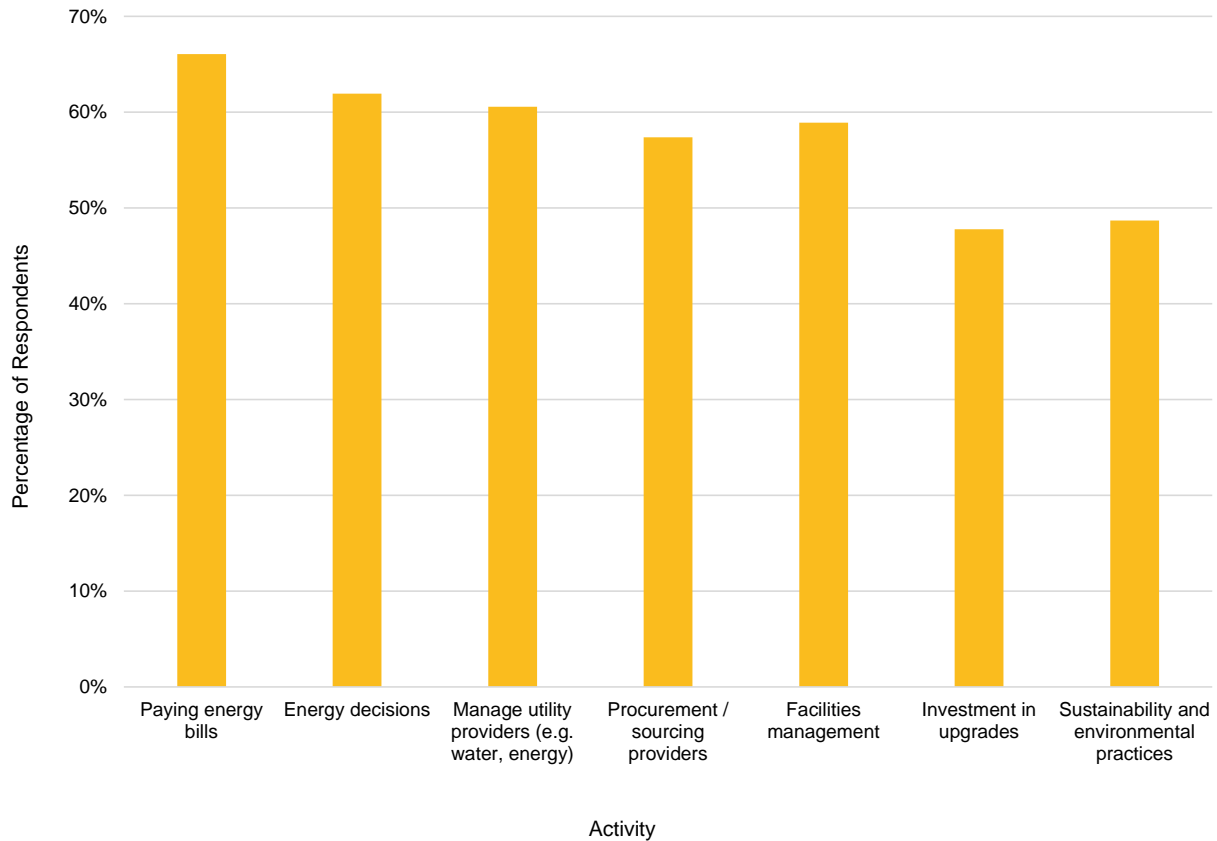


Figure 7: Within your business, which of the following do you have direct involvement? (n=658)

Respondents were asked which energy-related activities within their business they were involved in. Any respondent who stated that they were not involved in any of the listed activities was prevented from completing the remainder of the survey, and their responses are not presented in this report. Every eligible respondent had to select at least one of the activities presented. This filter question was used to ensure that responses to the rest of the survey were based on informed knowledge of the business's energy experiences and needs.

Around two thirds of respondents were responsible for paying energy bills and making general energy decisions for the business. The least frequent responses, with just under half of respondents selecting them, were involvement in sustainability and environmental practices and investing in upgrades.

Buying energy

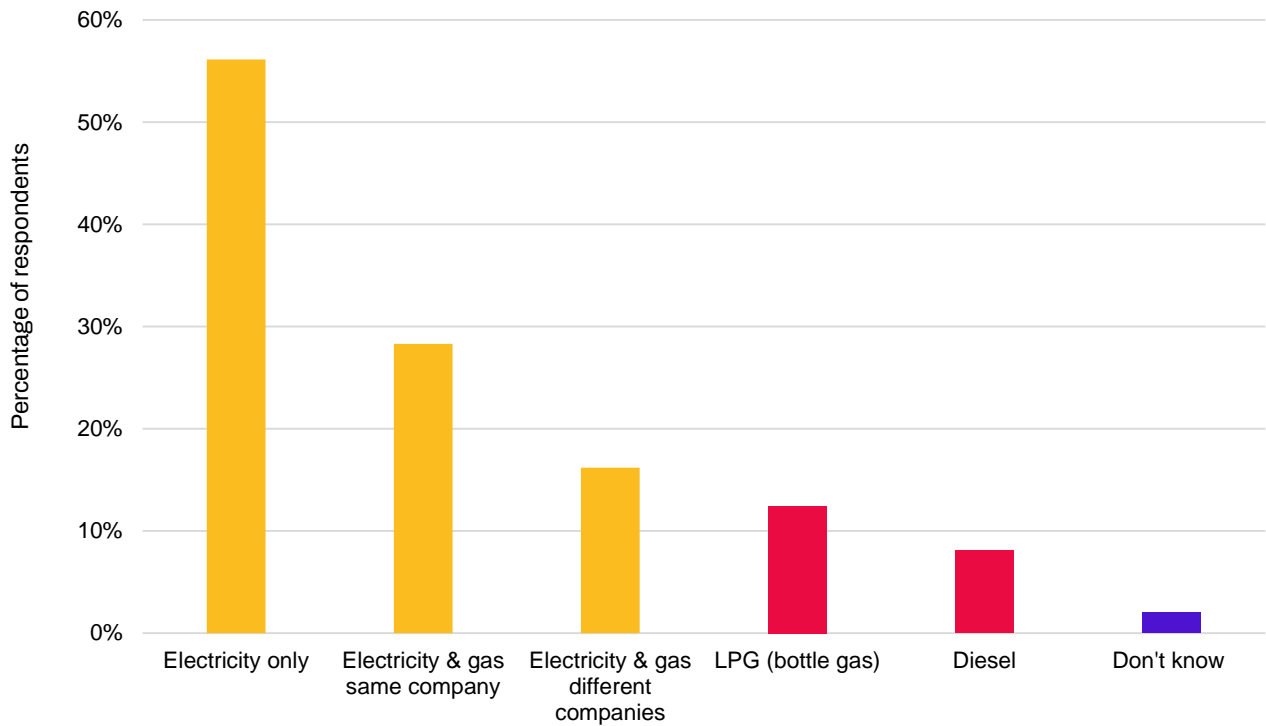


Figure 8: Which of the following are included in your energy bills? (n=643)

Fifty-six per cent of respondents use electricity only in their businesses. Twenty-eight per cent get gas from the same supplier as electricity, while 16 per cent get their gas and electricity from different providers. In addition to these utility-based energy sources, eight per cent of respondents also have diesel fuel supplied to their business and 12 per cent have LPG (bottled gas). Around two thirds of LPG customers do not have access to mains gas, but a small proportion of businesses—five per cent of the full sample—buy both mains gas and LPG.

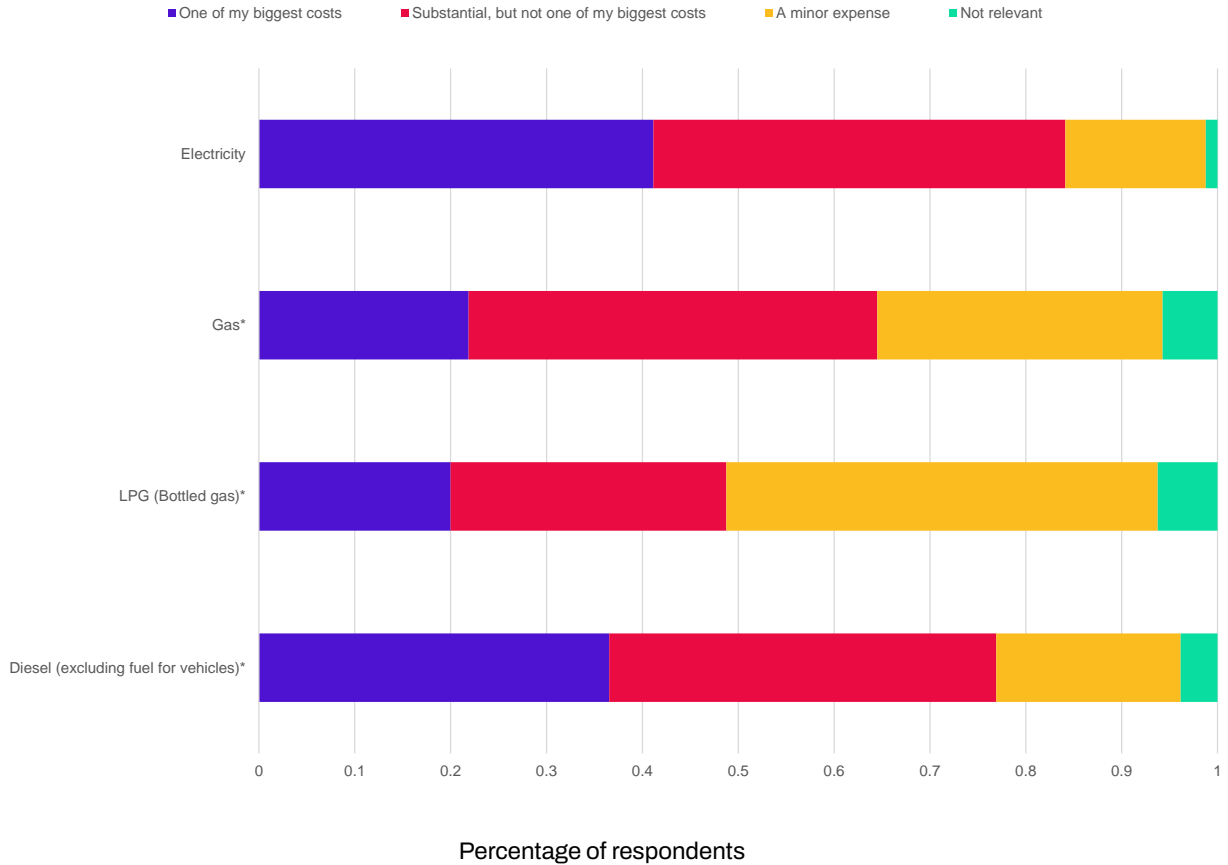


Figure 9: How important are each of the following as costs to your business? (n=649)

*Excludes businesses that do not use those fuels.

Electricity and diesel are the energy sources businesses rank as having the most importance. More than 40 per cent of businesses describe electricity as being one of their biggest costs, while 37 per cent of diesel-using businesses say the same. By contrast, only around 20 per cent of businesses using gas and LPG reported these as being one of their biggest costs, with more than half of LPG users describing it as being a minor expense or not relevant.

It should be noted that fieldwork on this survey was carried out in June-July 2022, before the costs incurred during the June 2022 energy crisis had been passed through to most respondents.

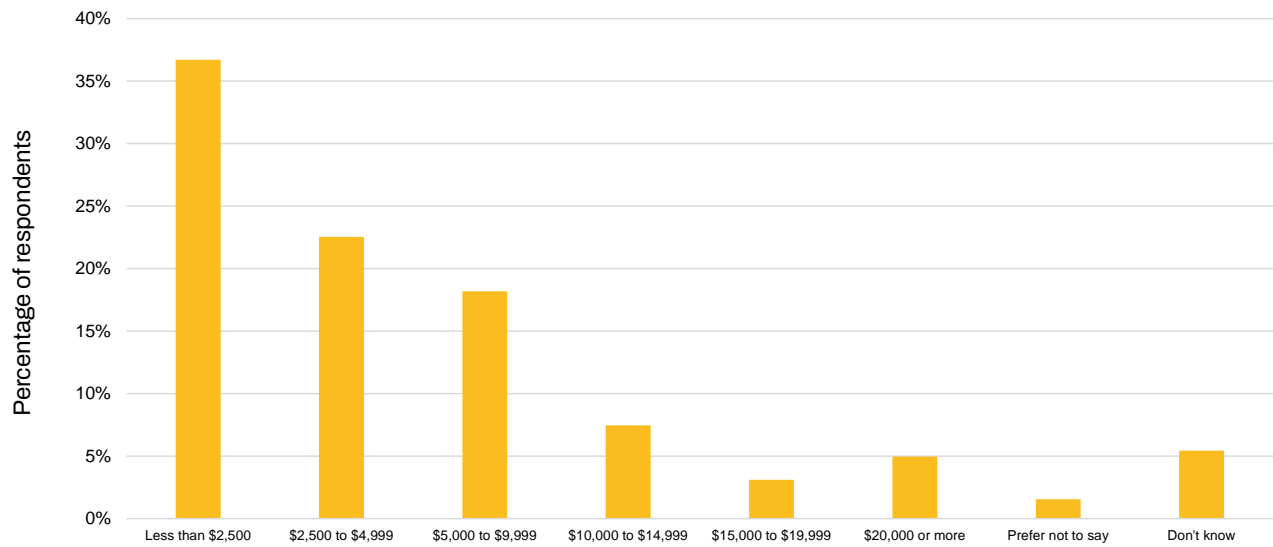


Figure 10: Approximately how much is your electricity bill per quarter? (n=643)

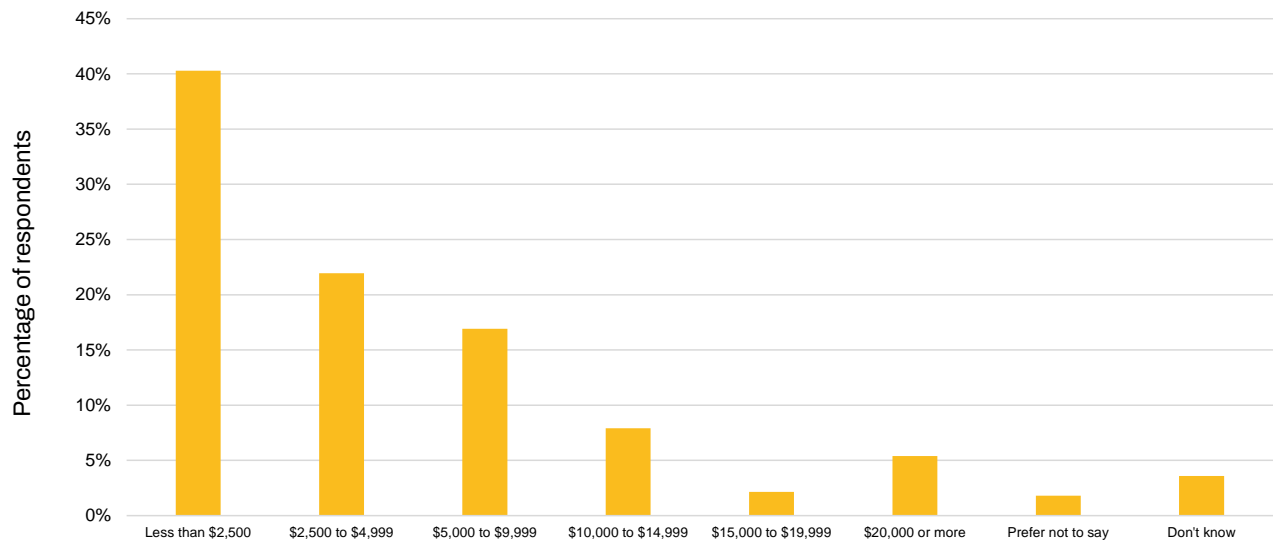


Figure 11: Approximately how much is your gas bill per quarter? (n=278)

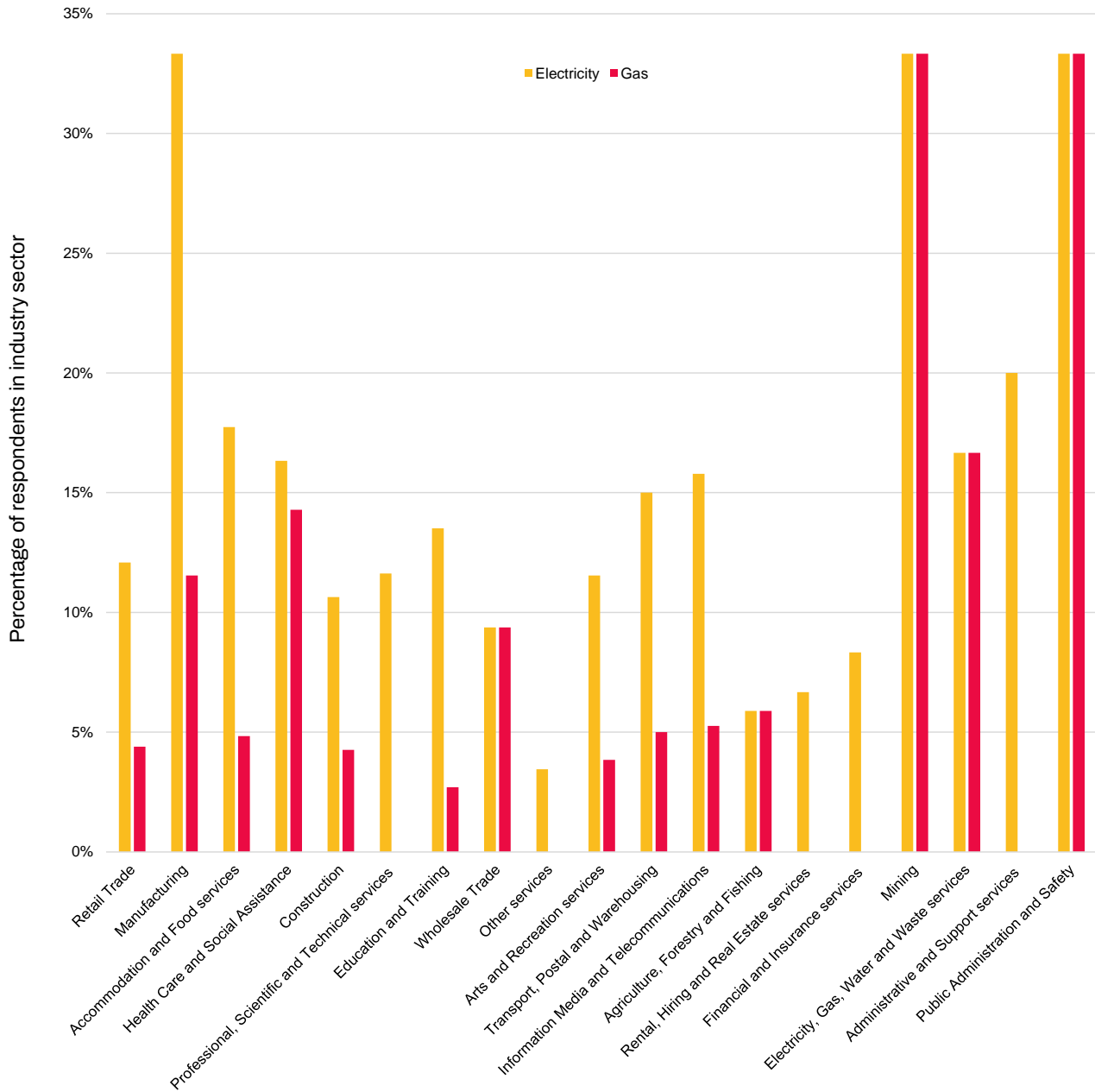


Figure 12: Proportion of respondents in each industry paying <\$10,000 / qtr for electricity and / or gas (electricity n=643, gas n=278)

Reflecting the SME focus of the survey, the most common response for both electricity and gas was a quarterly bill of less than \$2,500. Manufacturers were by far the most likely to be incurring gas or electricity bills of more than \$15,000 per quarter, accounting for 40 per cent of businesses paying that amount, compared to just 13 per cent of the overall survey sample. Health and social care businesses are also more likely to be high bill payers, accounting for 10 per cent of those with electricity bills over \$15,000 per quarter, and 17 per cent with gas bills over \$15,000, while making up eight per cent of the overall sample.

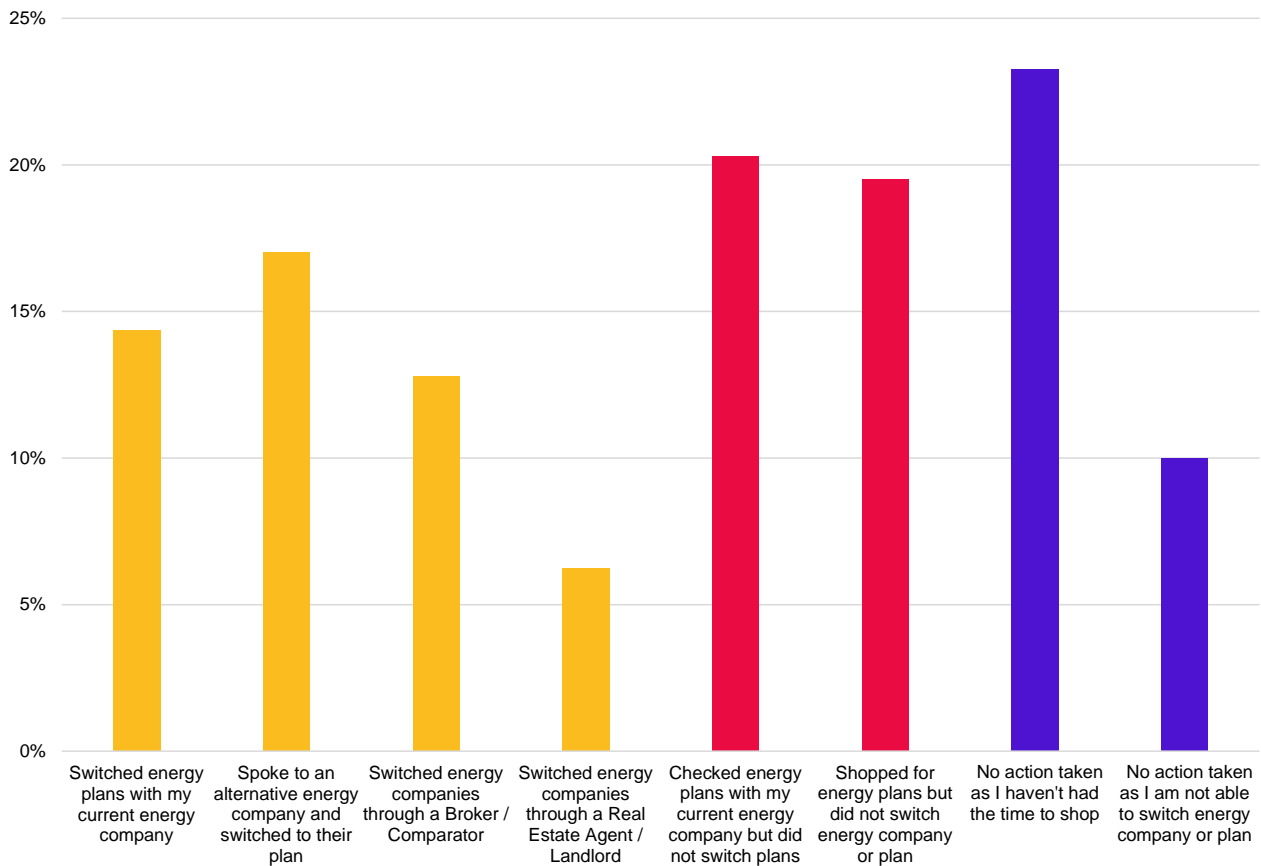


Figure 13: Which of the following have you done in the last year? (n=643)

Businesses were asked about actions they had taken around switching energy providers or plans. Respondents could choose multiple options so total responses exceed the number of respondents. Around 50 per cent of responses reported having switched energy plans or providers in the last year. Forty per cent described having checked plans or shopped around but not ending up switching. Thirty-three per cent reported not having taken any action, either due to lack of time (23 per cent) or being unable to switch (10 per cent).

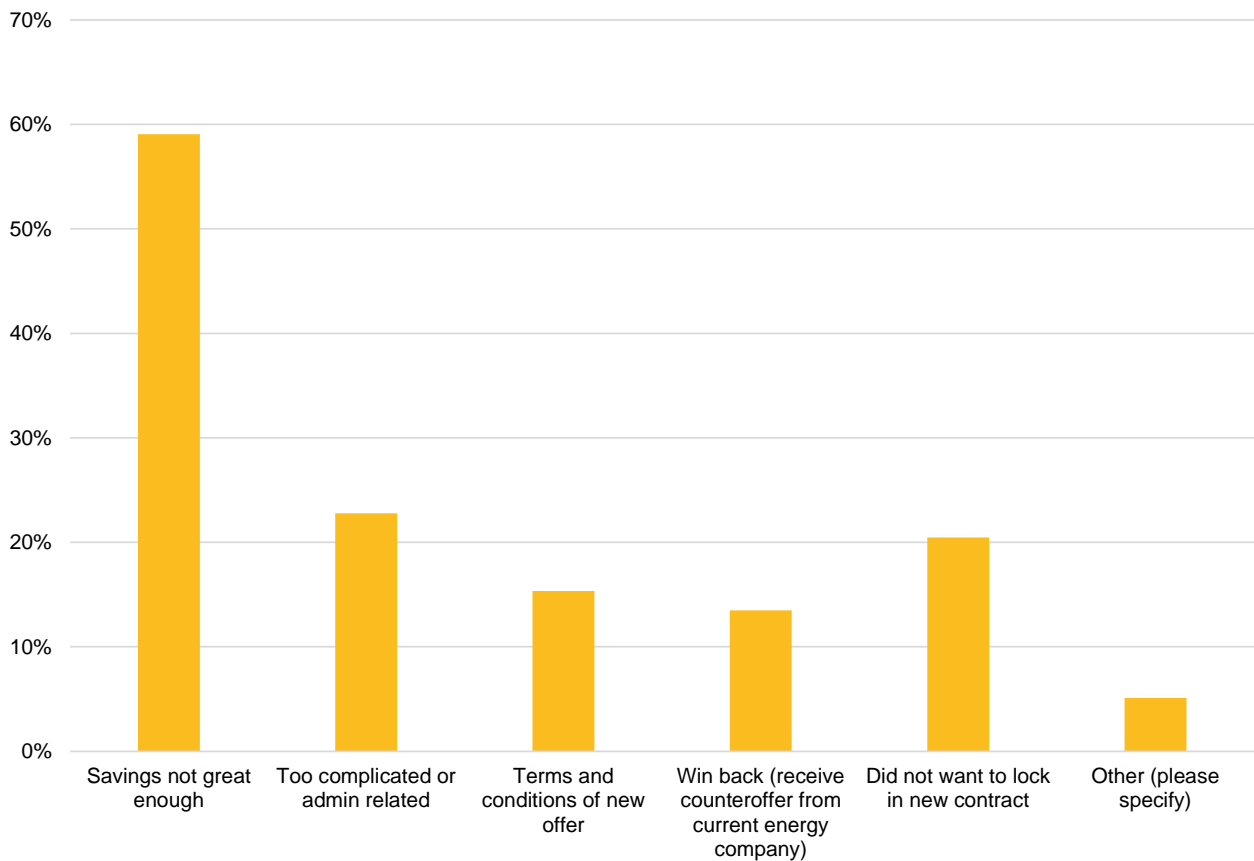


Figure 14: What were the main reasons for not switching energy companies / energy plan? (n=215)

Of those who reported having shopped around or checked plans but not having switched, the primary reason given was that savings available were not large enough (59 per cent of respondents). Twenty-three per cent found the process too complicated or faced administrative barriers, while 20 per cent did not want to lock in a new contract. Thirteen per cent were 'won back' by their current energy provider so no longer wanted to progress their switch.

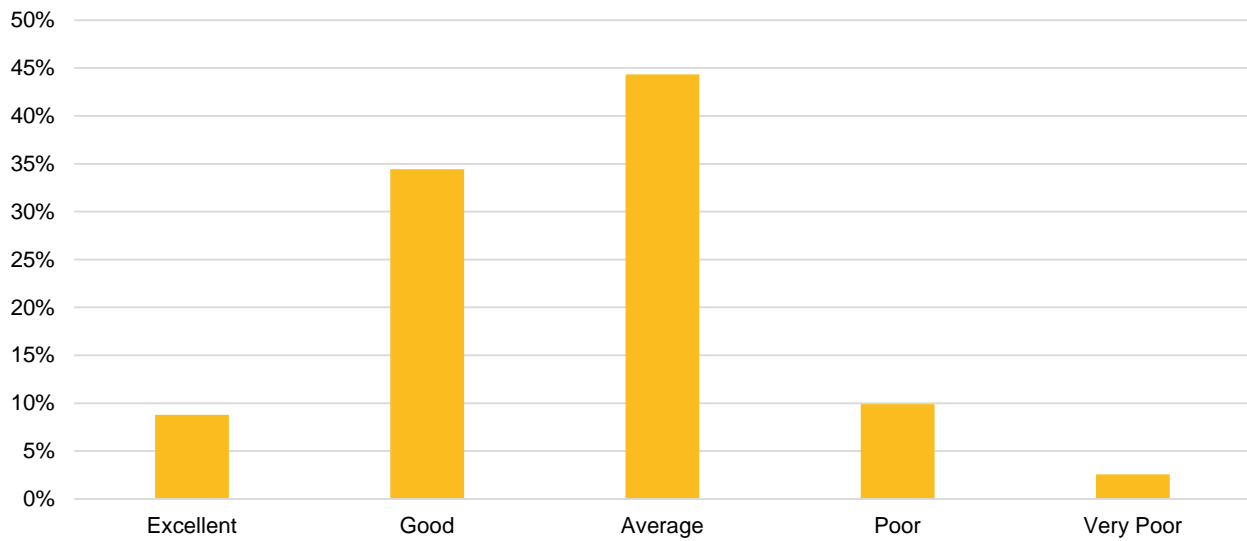


Figure 15: How would you rate the value of switching energy deals? (n=273)

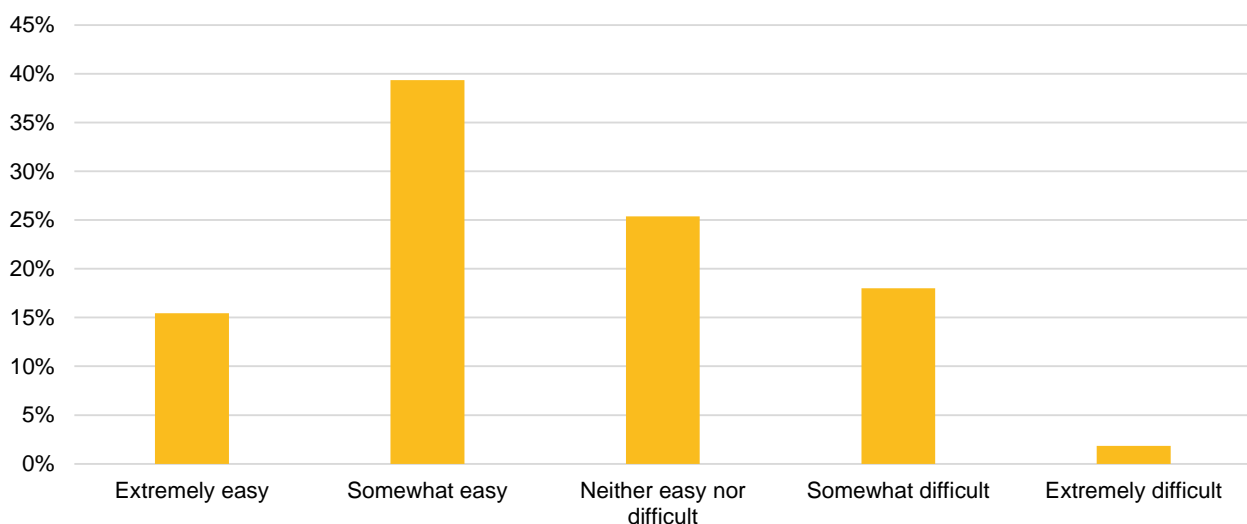


Figure 16: How easy was the process to switch your energy deal? (n=273)

Those businesses who reported having switched deals in the past year were asked about their experiences. In evaluating the value of their switch, more than three quarters of businesses assessed it as having been either good (34 per cent) or average (44 per cent). 13 per cent of businesses rated the value of their switch as having been poor (10 per cent) or very poor (three per cent).

Evaluation of the ease of process to switch showed a more even distribution of ratings. **While it is positive to see only two per cent of businesses finding the process extremely difficult, 18 per cent finding it somewhat difficult indicates there is still work to be done to improve the user-friendliness of the retail market for those who struggled to engage.**

Advice

About the Business Energy Advice Program (BEAP)

The Business Energy Advice Program (BEAP) was established in 2019 by the Commonwealth Government, to implement one of the recommendations from the ACCC's 2018 Retail Electricity Pricing Inquiry.⁴ The BEAP ran for three years, ceasing delivery in August 2022. The BEAP was delivered and administered by Business NSW (under its Business Australia brand).

Despite operating most of its life against the backdrop of the COVID-19 pandemic, the BEAP still managed to reach one in every 14 Australian businesses in the target demographic, namely businesses with 6-20 employees or 1-20 employees in drought affected areas. There were 15,505 businesses that received a consultation over BEAP's lifetime.

Fifty-two per cent of consultations were delivered face-to-face, ensuring that small businesses of all types were reached (i.e it was not only reaching the most digitally engaged).

Twenty-four per cent of BEAP clients requested a referral to Business NSW's switching and brokerage service BAE - approximately 4,000 BEAP clients took instant action on energy savings advice. Clients referred via BEAP to Business Australia Energy (our energy brokerage service) have identified average savings of \$1,912 per annum. The interest in BAE rose to 30 per cent in the last year of the BEAP, a 14 percentage point increase on the preceding financial year average of 16%.

Only seven per cent of BEAP clients had already made low or no-cost improvements prior to the BEAP consultation, yet 63 per cent of all BEAP clients thought they had tackled the low hanging fruit already. **This divergence between perception and reality showed that small businesses in general lack awareness of simple cost and efficiency saving measures.**

Small business confirmed that they require additional assistance to tackle energy savings and efficiency. Fifty-three per cent of BEAP clients advised they would reinvest energy savings into business solutions that would increase growth and profitability.

What have we learned from delivering BEAP?

First of all, we learned that small businesses still need assistance with the cost of energy. BEAP was introduced when the ACCC determined that small businesses faced poor outcomes, were paying excessively for electricity, and were confused by a complex market. Since then prices have escalated rapidly and the complexity of the market has only increased as distributed energy resources become more widespread and the transition to net zero accelerates. Without BEAP small businesses now have no independent or trusted source of energy advice.

⁴ https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_0.pdf

With BEAP ceased, our minds turned to what could come next, to replace and expand on the service it offered. In our view, a successful, upgraded energy advice program would have the following features:

- A focus on energy consumption, rather than headcount, as the entry criterion. The greatest bang for buck from energy efficiency and productivity measures comes from reducing large energy users' consumption. The energy intensive end of the SME sector – small manufacturers, hospitality, agriculture amongst others – have the most to benefit from a future program to improve SME efficiency, and their improved energy efficiency will deliver the greatest public benefits in terms of emissions reduction and avoided energy infrastructure capital investment.
- A focus on net zero transition in addition to direct cost savings. As we found (see page 44 onwards), net zero transition is as significant a motivator as cost reduction for some businesses or investment classes. A more overt accounting for emissions benefits, and a deeper understanding of what SMEs want from the energy transition, will enhance a future program's ability to deliver advice relevant to businesses' interests.
- Expanded technical capabilities to support businesses with the following aspects of managing and developing energy productivity improvements:
 - Project management
 - Governance support
 - Project guidance
 - Reporting assistance
 - Implementation review
 - Strategy review
 - Coaching
 - Connect to Ecosystem partners
 - » Certified
 - » Trustworthy
 - » Remain independent and free for businesses to access
 - Client upskilling
 - » Review recommendations
 - » Review progress
 - Socialise with peers
 - » Knowledge sharing
 - » Normalising attitudes
 - Data Capture
 - Metering check
 - Energy usage
 - Interval and bill data
 - Gather client context
 - Strategy and operation
 - Introduce energy pricing services

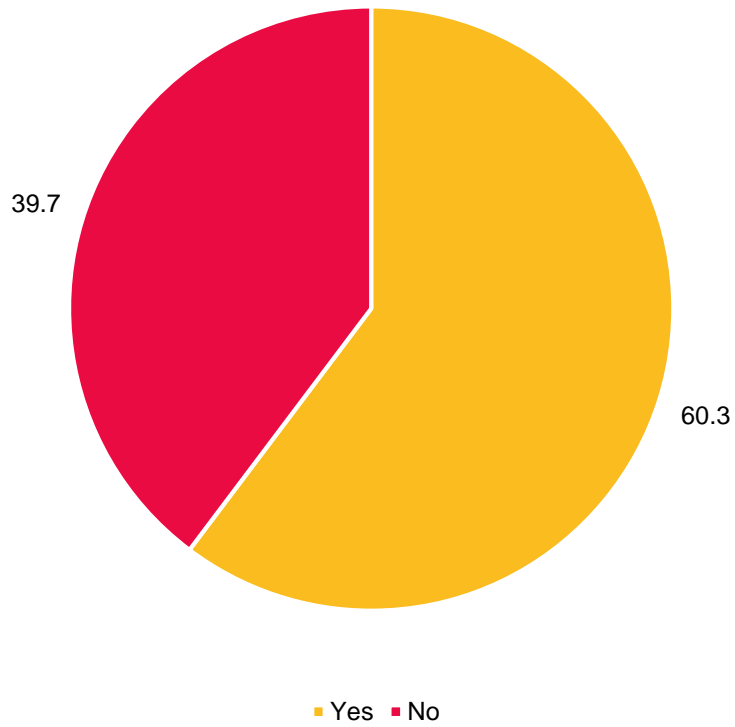


Figure 17: Has your business sought advice on how to reduce your energy bill? (n=657)

Just over 60 per cent of surveyed businesses reported having sought advice on how to reduce their energy bill. Breaking down this overall number shows that advice-seeking is far more common in some sectors of the economy than others.

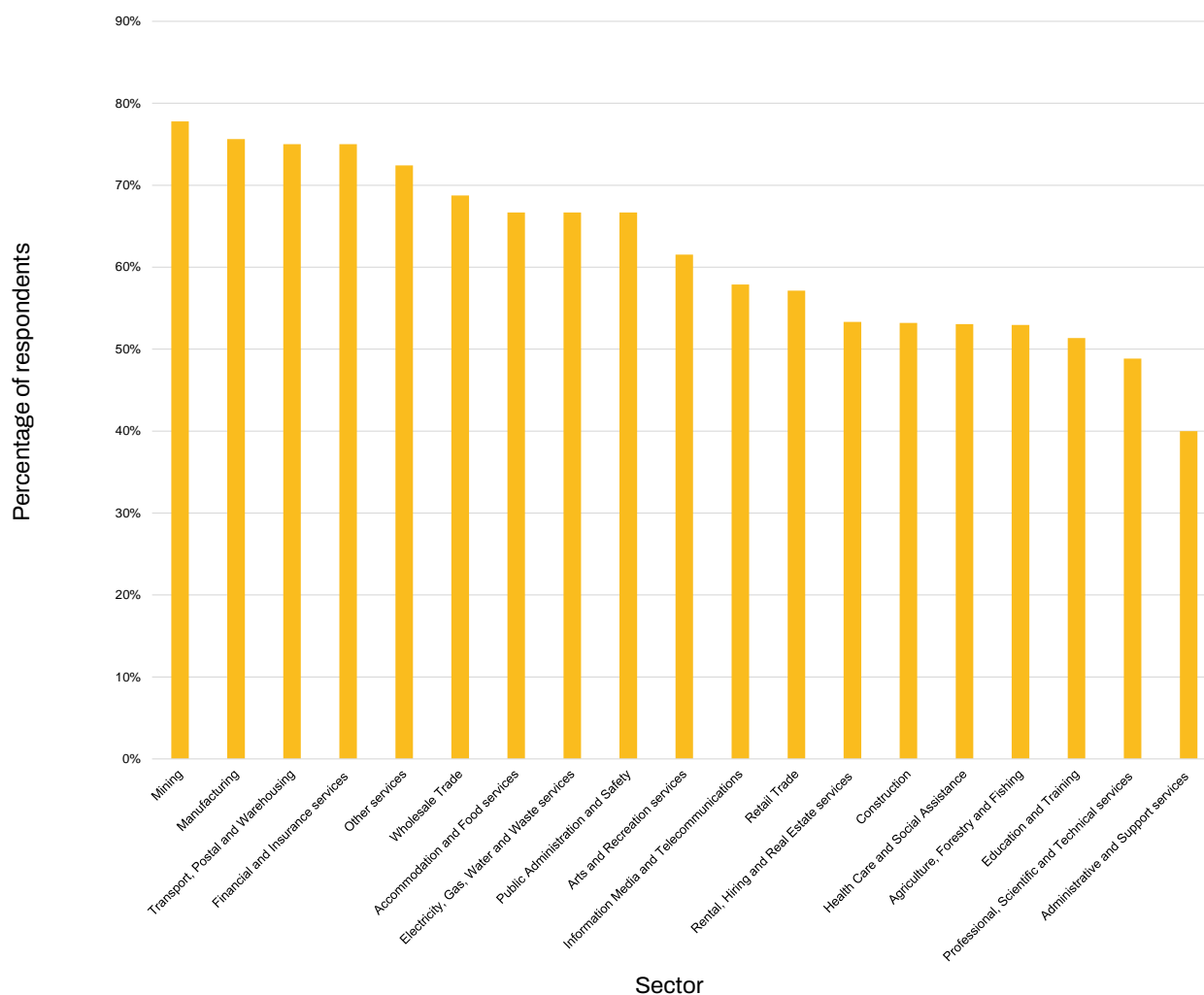


Figure 18: Has your business sought advice on how to reduce your energy bill? “Yes”, By industry

Traditionally energy-intensive sectors such as mining (78%) and manufacturing (76%) were those which most frequently reported having sought advice on lowering energy bills. At the other end of the spectrum, administrative and support services (40%) and professional scientific and technical services (49%) were the least likely to have sought advice. While there is a general pattern of businesses in physical goods sectors being more likely to have sought advice, and those in services/non-tangible sectors less likely to have, there are outliers.

Agriculture forestry and fishing and construction (both 53%) were significantly below other tangible product sectors, and while the small sample sizes from both sectors should be acknowledged, there is an opportunity for greater efforts to target these sectors for further engagement. (Furthermore, evidence from BEAP shows that agricultural businesses were considerably more likely to take up referrals when suggested by a trusted advisor than other types of businesses. Fifty-six per cent of agricultural BEAP clients requested referrals to an energy switching service, compared with 34 per cent average across all businesses).

These results show the challenges of engaging businesses in energy support activities when energy costs are a less central part of their businesses’ cost profile and overall focus.

Those businesses who told us they had not sought advice to reduce energy bills were asked about their reasons. The most frequent response was from businesses who found the situation too complicated and were not sure where to start. Cost of advice was the least cited reason, perhaps reflecting the availability (until recently) of free advice to SMEs via the Business Energy Advice Program. As the availability of free advice to businesses is curtailed, it will be informative to track whether larger numbers of businesses cite cost as a barrier to accessing advice in future.

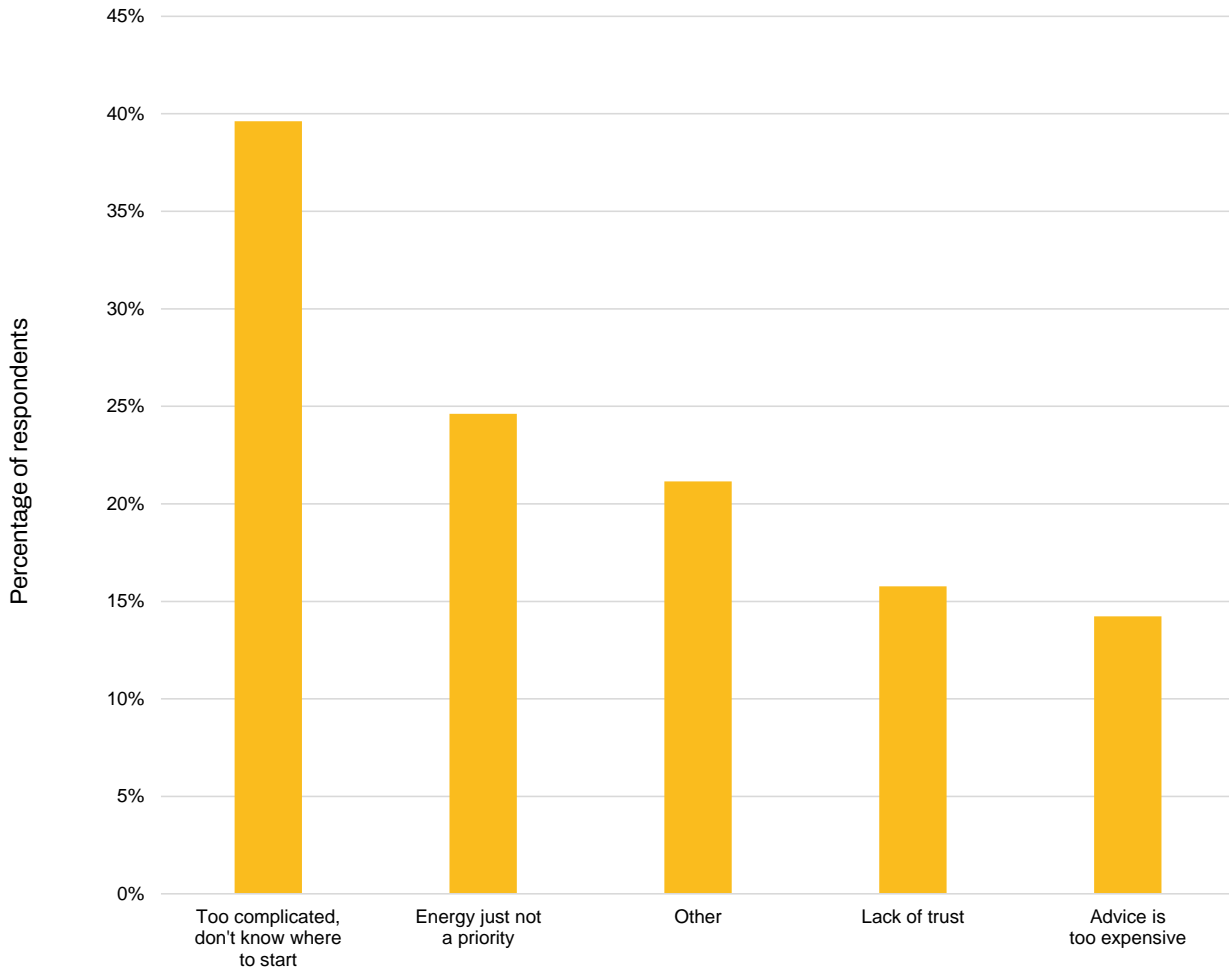


Figure 19: Why have you not sought advice to reduce your energy bill? n=260

Write-in responses add some depth to the earlier question. There are two clear strands of thinking within “energy just not a priority”. On one hand, there are businesses who consider their spending on energy to be low enough not to need advice on further reductions, either because they are low energy consumers or because they have already taken steps to self-supply with solar. On the other, there are businesses whose priorities lie elsewhere, particularly shepherding their business through the pandemic and other disruptions.

Other businesses tell a more positive story about their reason for not seeking advice, reporting being confident enough in researching their options or knowledgeable enough about energy to not feel the need to seek external advice.



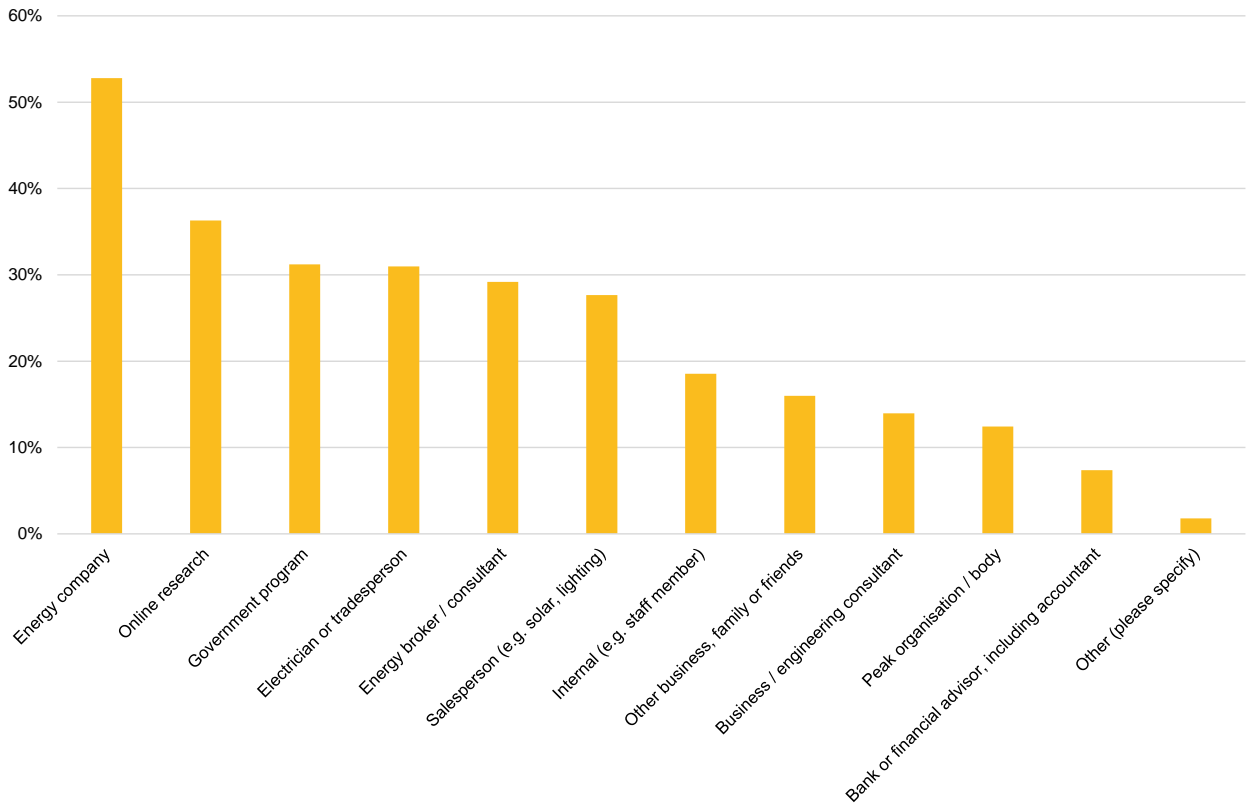


Figure 20: Which channels did your business use to access advice to reduce your energy bill? (n=394)

More than half of the respondents who had sought advice reported having sought it from an energy company. Online research was the next most common method, followed by government programs, electricians or other tradespeople, and brokers or consultants. Banks and financial advisors, peak bodies, and business or engineering consultants were among the least used sources of advice.

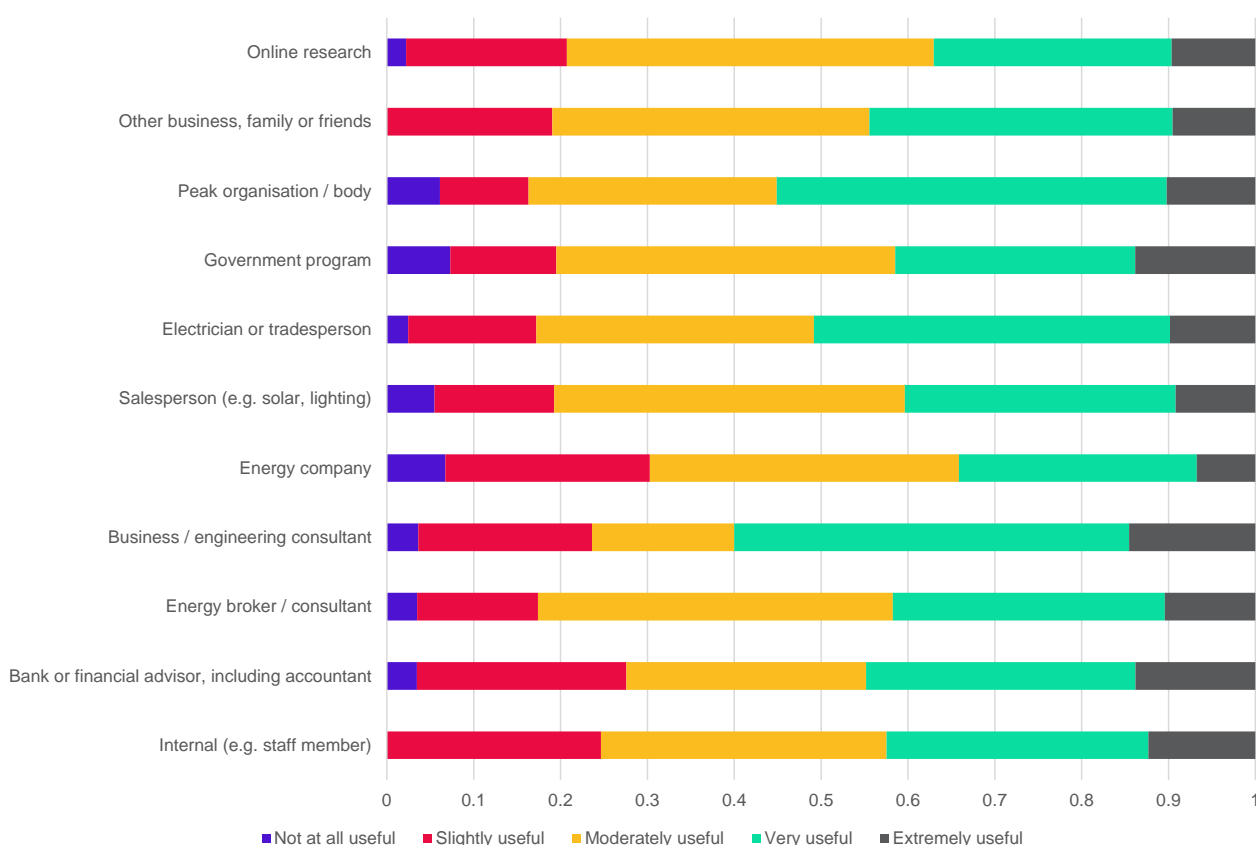


Figure 21: How useful was the advice you received?

Comparing which sources of advice were most used with those considered most useful shows a clear inverse relationship between the level of usefulness of a source of advice, and its current degree of utilisation by businesses. In other words, the most used sources of advice were among the least useful, while the most useful sources of advice were among the least used. Business/engineering consultants and peak bodies were seen as being the most useful sources of advice (>50 per cent report them being very or extremely useful), but fewer than 15 per cent of businesses had sought advice from those sources.

By comparison energy companies and online research were identified as the least useful sources of advice (<40 per cent report them being very or extremely useful), yet as seen overleaf these were by far the most commonly used sources of advice.

Expanding business access to advice from trained engineers or peak bodies with industry sector expertise potentially offers a significant improvement in the value businesses place on the advice received. As a peak body which has provided expert energy consultancy to businesses over recent years, Business NSW is certainly supportive of efforts to expand this model of advice delivery to SMEs. Until August 2022, Business NSW was supported to offer this advice by the Commonwealth via the Business Energy Advice Program. This program has now been ceased, and the gap in providing this type of useful advice to businesses has grown. The Business Energy Advice Program reached seven per cent of eligible SMEs across Australia during its three years of operation. **To reach more businesses in the years ahead requires a new program with an expanded remit and with resourcing to maintain advice that is free and independent.**

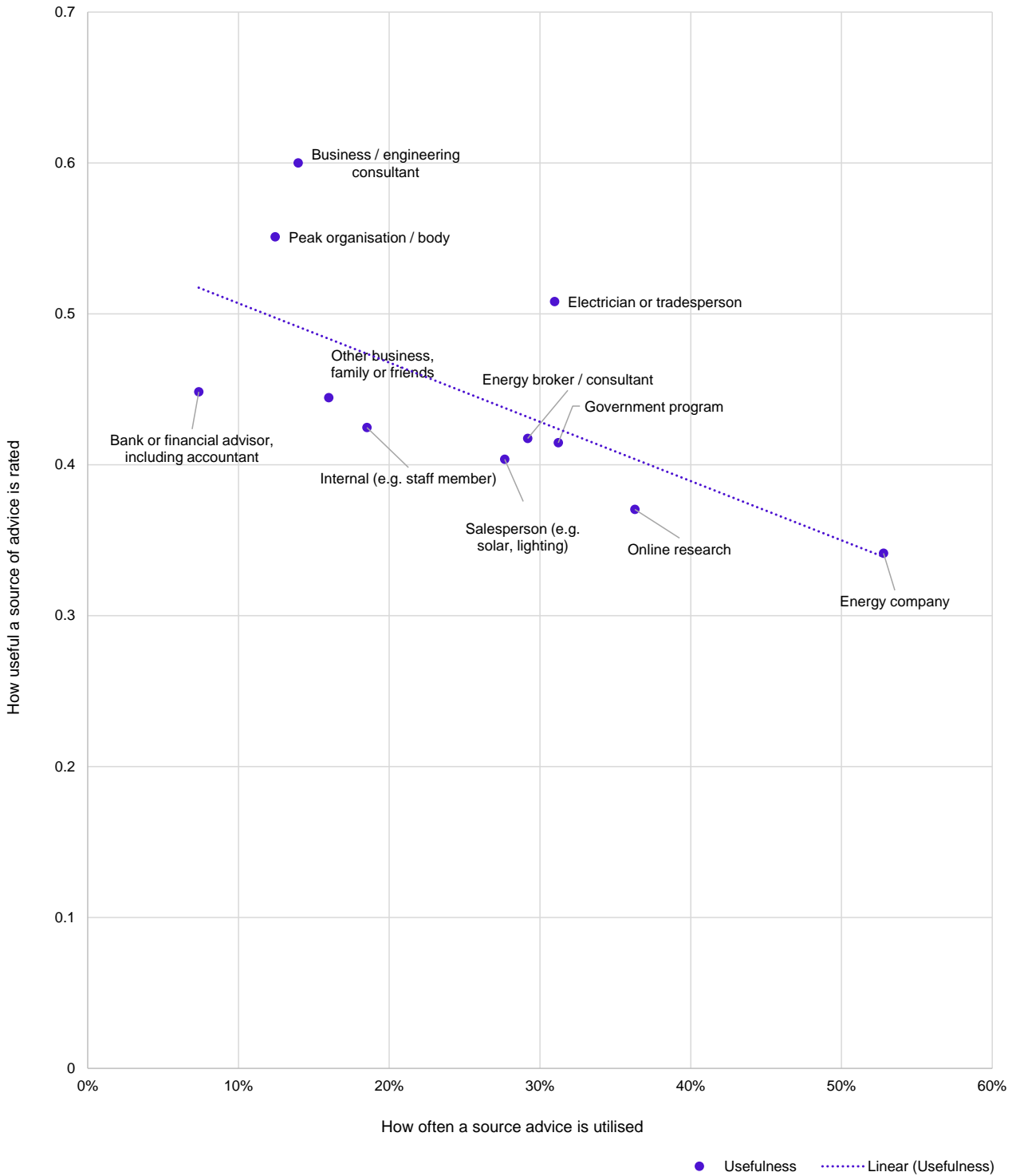


Figure 22: Usefulness (n=394) vs utilisation (n=384)

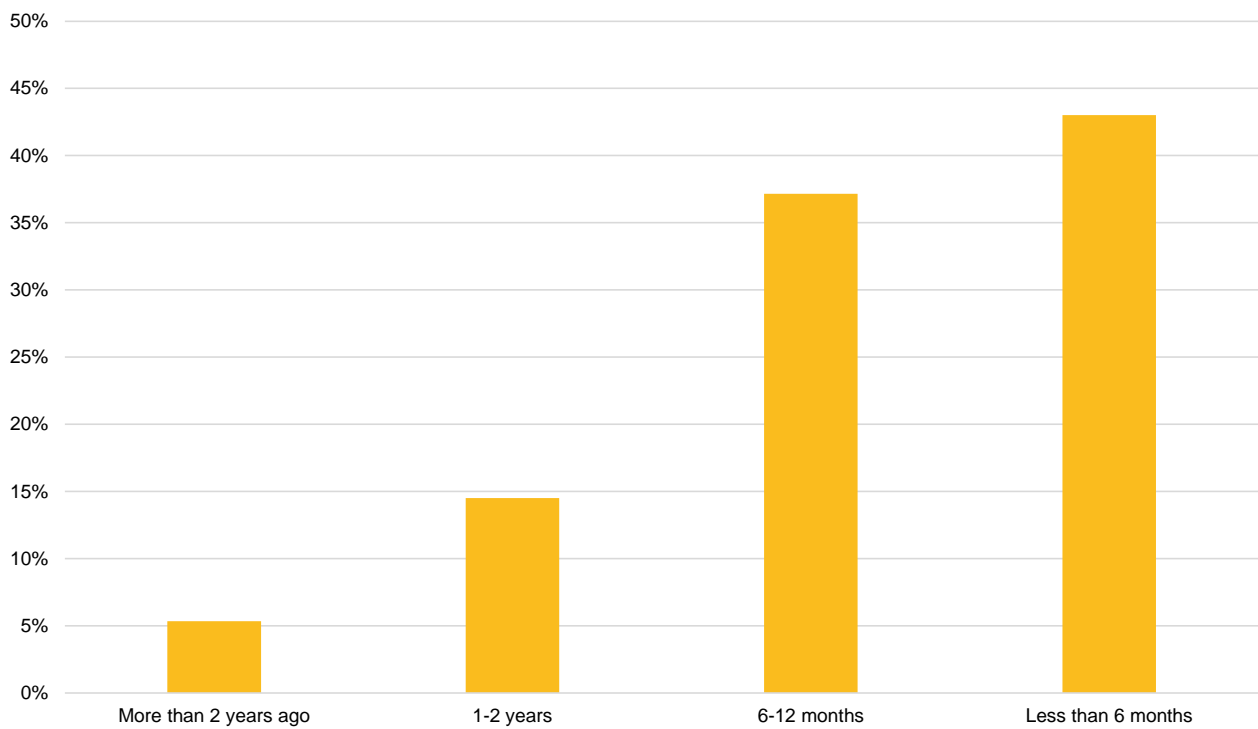


Figure 23: When was the last time your business sought advice about how to reduce your energy bill? (n=393)

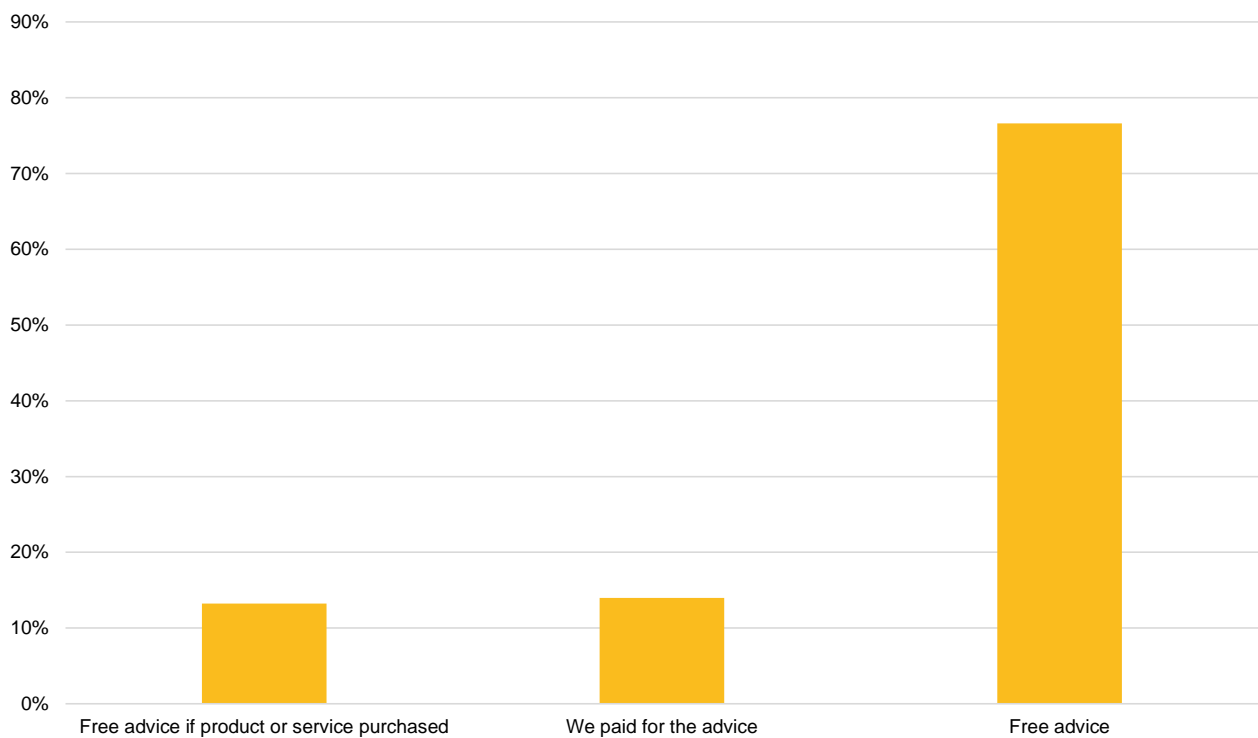


Figure 24: Was this advice paid for or free? (n=393)

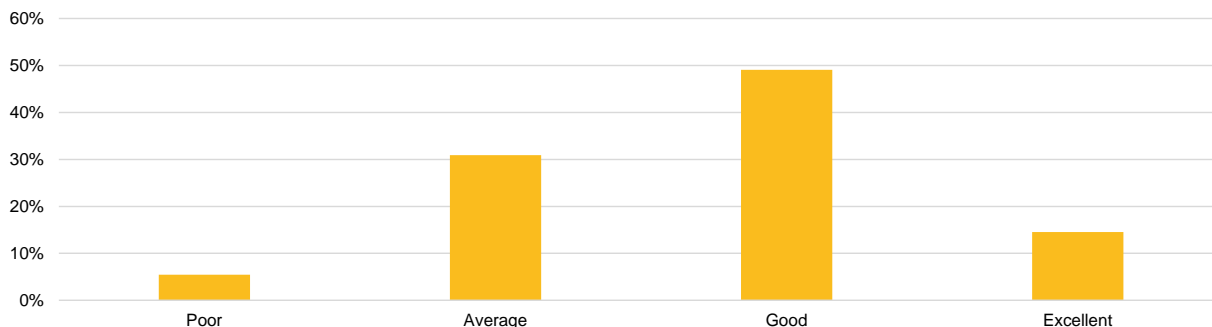


Figure 25: How would you rate the overall value for money for advice you received? (n=55)

Eighty per cent of those respondents who said they had sought energy advice had done so in the past year. More than three quarters had received free advice, with the remainder evenly split between those who had paid for advice directly and those who had received advice associated with the purchase of another product or service (e.g. energy products like solar PV or other services like financial advice or business consulting). Of those respondents who paid for advice, most rated the advice they received as “average” or “good” value for money. Only 14 per cent described the paid advice they received as “excellent” value for money.

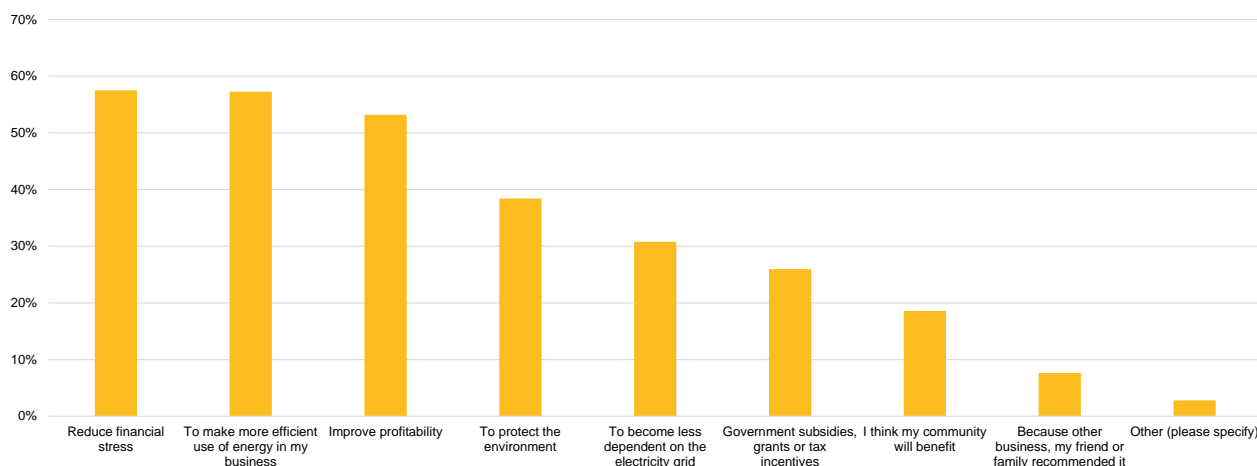


Figure 26: How would you rate the overall value for money for paid advice received? (n=55)

Businesses were most motivated to seek advice by financial drivers – the desire to reduce financial stress, improve profitability and to improve the efficiency of energy usage in their business. 38 per cent sought to protect the environment, and 19 per cent thought energy advice could lead to benefits for their community. Thirty-one per cent aimed to become less reliant on the electricity grid. Twenty-six per cent were motivated by wanting to access government subsidies or grants. Only eight per cent sought advice because it had been recommended to them.

A variety of messages are needed to encourage businesses to reach out for energy advice. While a focus on financial impacts may address the most common reasons for seeking advice, it still leaves out half the population of businesses. This half may be better engaged with messaging that emphasises environmental and community benefits rather than direct appeals to self-interest.

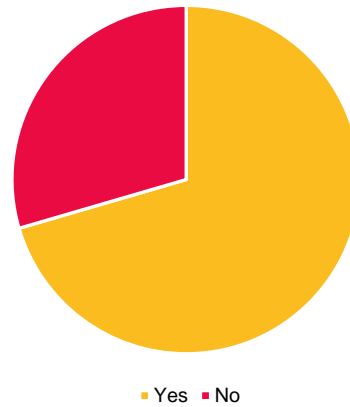


Figure 27: Have you been able to implement changes based on the advice you received? (n=393)

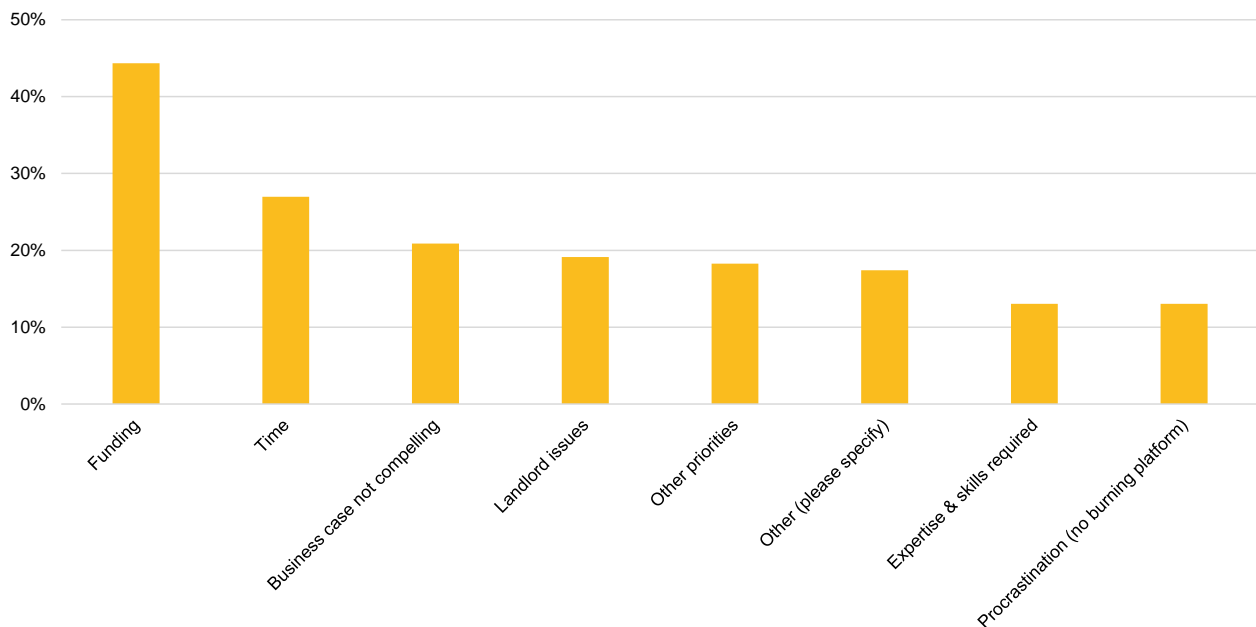


Figure 28: Why have you not been able to implement changes based on the advice you received? (n=115)

Of the businesses that had received advice, 70 per cent reported that it had led them to make some change to their business. Of those that did not make changes, the most commonly cited reasons were lack of funding (44 per cent of responses) followed by lack of time (27 per cent).

Access to finance continues to be a significant barrier to improving energy productivity. Governments have the opportunity to help address this barrier by maintaining and strengthening grants and subsidies to address SME energy needs.

Advice from brokers/consultants and salespeople had the weakest track record of leading to change. Advice from business/engineering consultants had the best record of leading the advice recipient to make changes.

Net zero

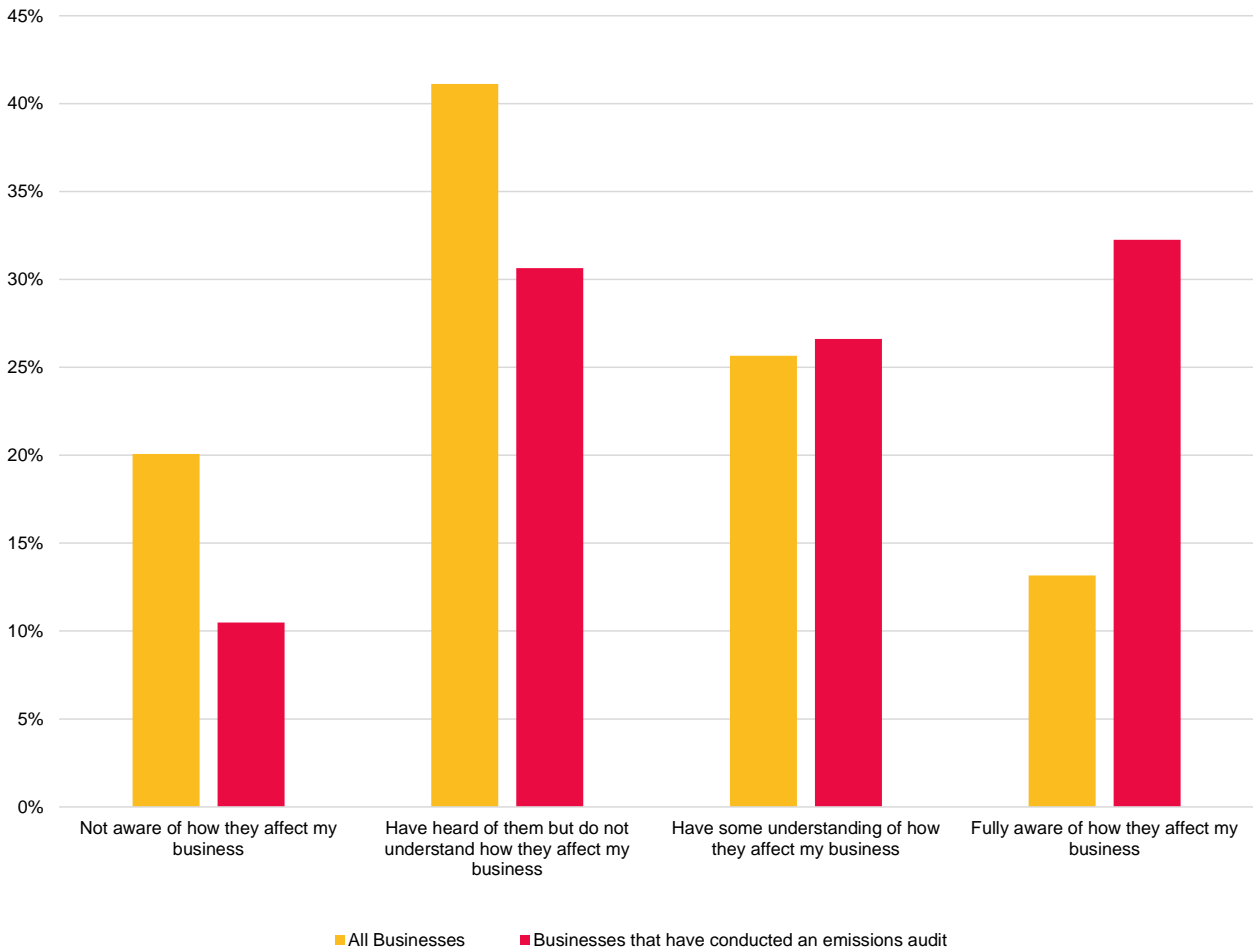


Figure 29: All states and territories have set targets to reach net zero emissions by 2050. How aware are you about how these targets will affect your business?

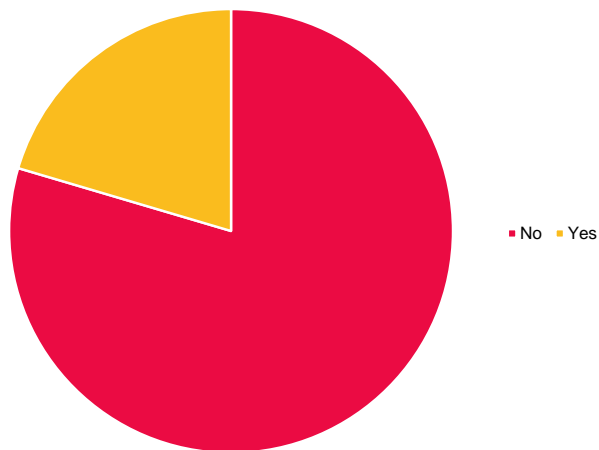


Figure 30: Have you conducted an audit of your business's carbon emissions?

Awareness of the implications of the transition to a net zero emissions economy is still limited among the business community. A majority of respondents had either not heard of net zero targets (20 per cent), or had heard of them but did not understand how their business would be affected (41 per cent). Only 13 per cent of respondents were confident they fully understood the implications for their business.

Awareness was much greater among those who had audited their business's emissions compared to the general population. The 20 per cent of businesses who had carried out an audit were more than twice as likely to be confident about the full implications for their business.

It is difficult to judge from the survey which way around the causality runs – whether businesses who are more aware of net zero implications are more likely to carry out audits or whether the audit process leaves businesses better informed.

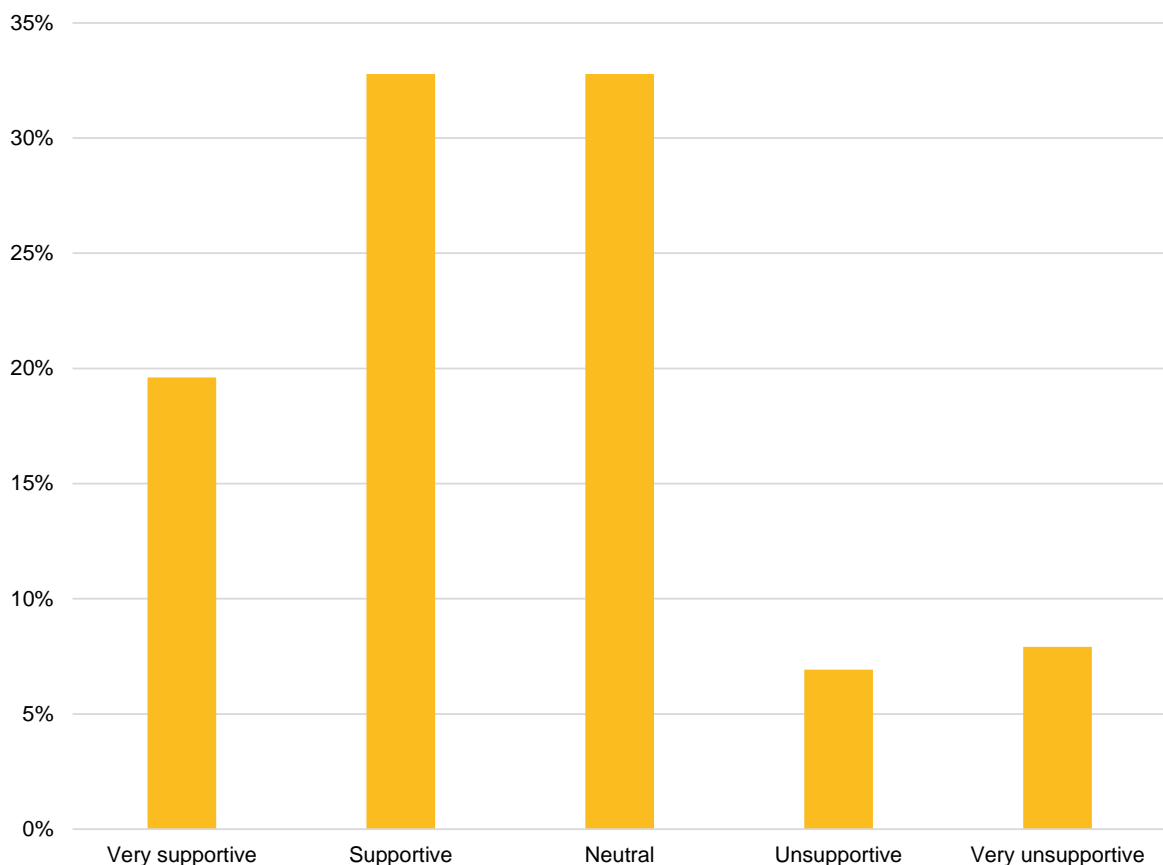


Figure 31: How supportive are you of these net zero carbon emission strategies?

Business support for net zero is relatively strong, with 53 per cent of businesses either supportive (33 per cent) or very supportive (20 per cent). A further 33 per cent stated they were neutral, while just 15 per cent were either unsupportive (seven per cent) or very unsupportive (eight per cent).

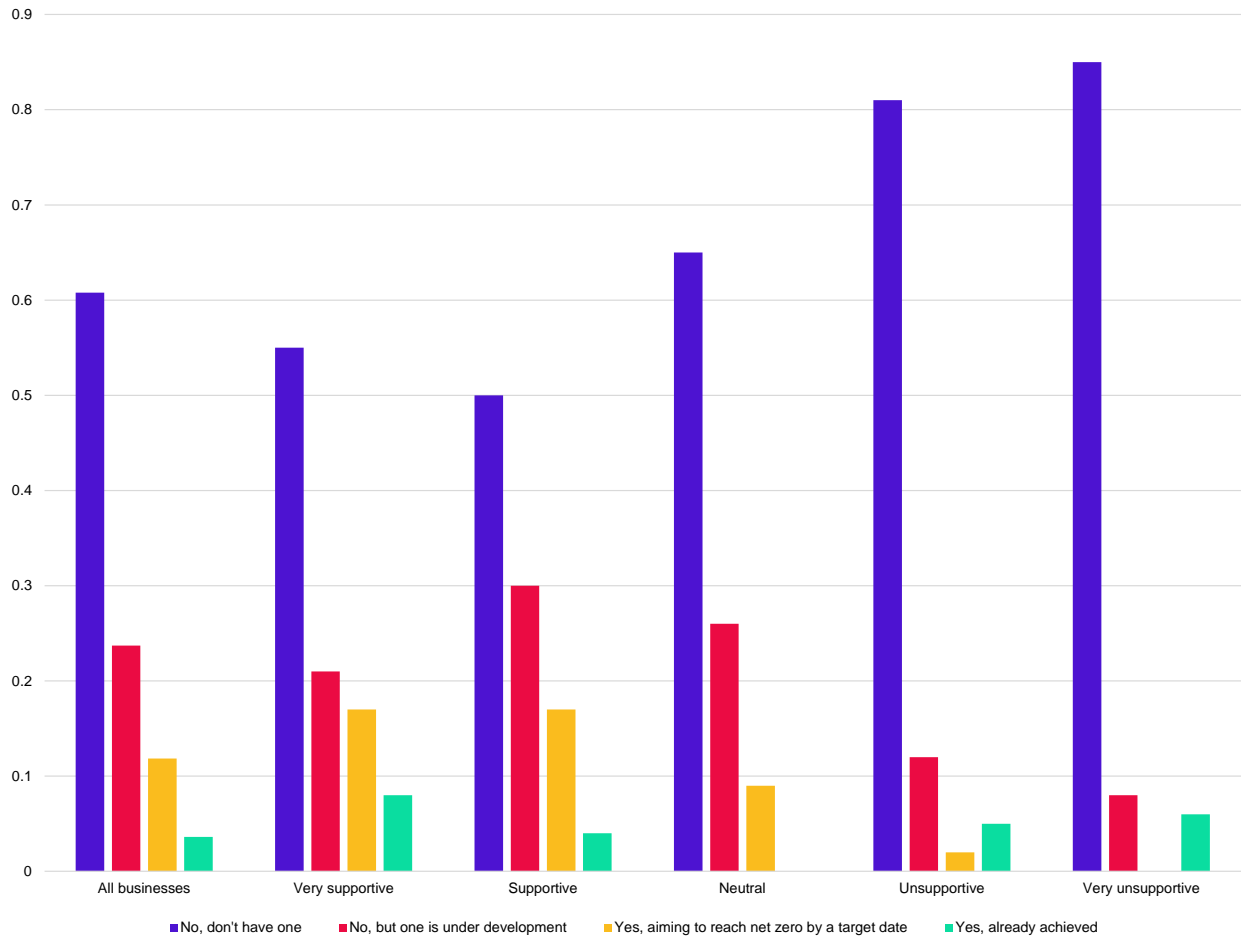


Figure 32: Does your business have a net zero carbon emissions plan? (n=607)

Support for net zero is strongly predictive of whether the business has developed a plan to reach net zero. Across all businesses, 40 per cent have a net zero plan at some stage of development. However among those supportive of net zero targets, the figure rises to 50 per cent. Conversely, among those most unsupportive of net zero, just 15 per cent have begun development of a net zero plan for their business. Four per cent of businesses responded that they had already achieved net zero.

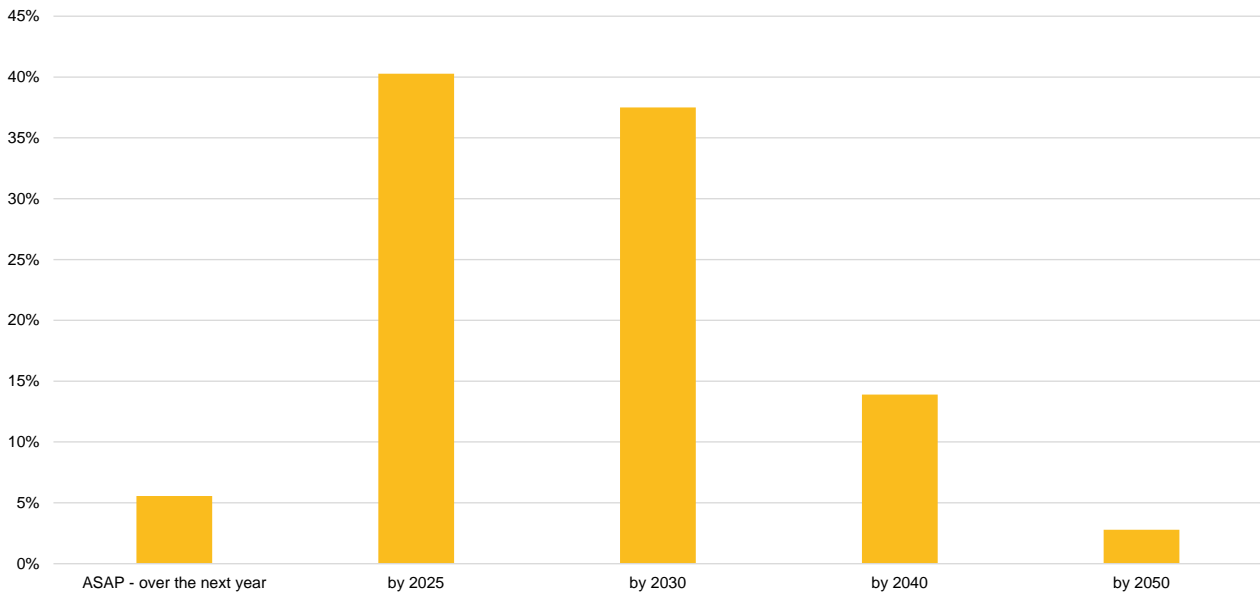


Figure 33: What is your business's target date to reach net zero carbon emissions? (n=72)

Businesses who indicated they were aiming to reach net zero by a target date, but had not yet achieved it, were asked what date they are targeting to reach net zero. The vast majority of respondents (84 per cent) indicated they were aiming to reach net zero by 2030 with six per cent aiming to hit net zero within the next year and a further 40 per cent aiming to get there by 2025. Very few businesses (three per cent) who have set themselves a net zero objective have aligned to the economy-wide target date of reaching net zero by 2050. Yet worryingly, 51% of businesses who have set themselves the target of reaching net zero by a specific date also say they have no awareness of the implications of net zero or do not understand how their business specifically will be affected. This indicates an alarming gap between businesses' aspirations and the practicalities of achieving net zero in the SME community.



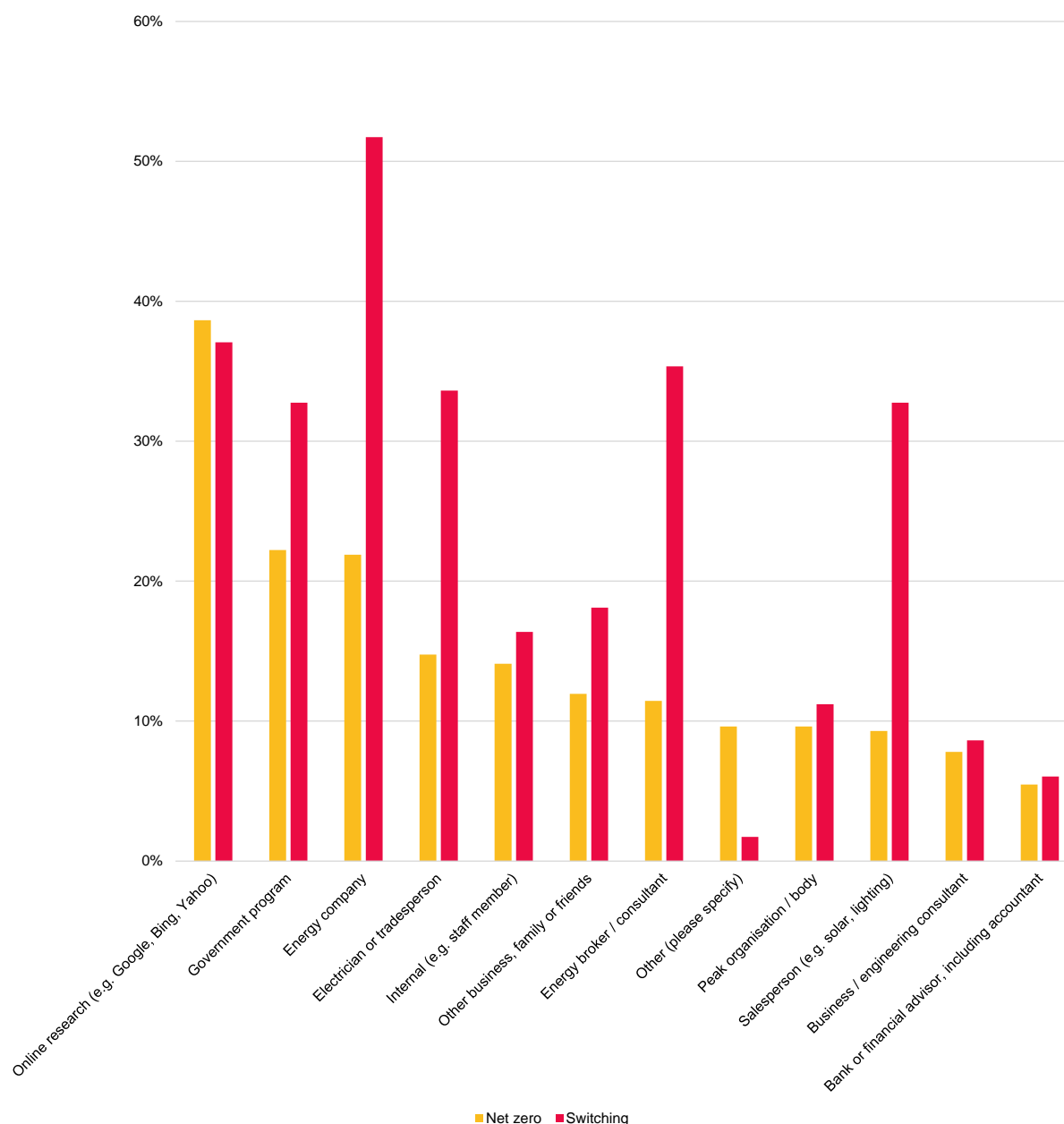


Figure 34: Which channels did your business use to access information about net zero? (n=603) compared to advice sources about saving money on energy bills

In general, the sources of advice businesses draw on for advice on net zero align with the advice sources they go to for more general advice, however, there are several striking exceptions to this pattern. Energy companies, who are by far the most common source of advice on general energy savings issues are only the third most used source for advice on net zero. Similarly, salespeople, consultants and tradespeople who are significant sources of advice on general energy issues are much less utilised for net zero advice than general energy advice.

The degree of reliance on online research and government funding is indicative of a significant capability gap from the private and NGO sectors in providing practical advice to businesses supporting their journeys to net zero.

Energy technologies

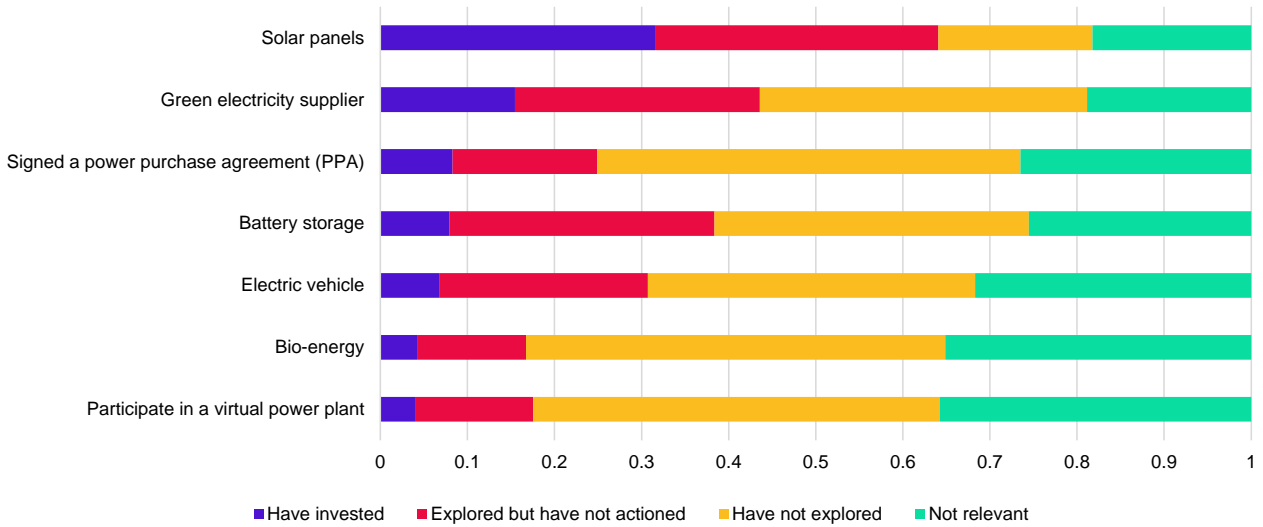


Figure 35: Which of the following have you invested in or explored? (n=615)

Solar PV is the most commonly invested-in clean energy option, with a third of businesses having invested in solar, and another third having explored but not invested in it. Fifteen per cent of businesses have opted for a green or renewable-only electricity supplier. Other technologies are at present still niche options, with eight per cent saying they have signed up to a renewable Power Purchase Agreement (PPA), or battery storage, seven per cent having an electric vehicle, and four per cent saying they are making use of bio-energy or participating in a Virtual Power Plant (VPP).

While uptake of battery storage is presently relatively low, the numbers indicating they have explored but not actioned investment in batteries shows it is an area of growing attention for businesses.

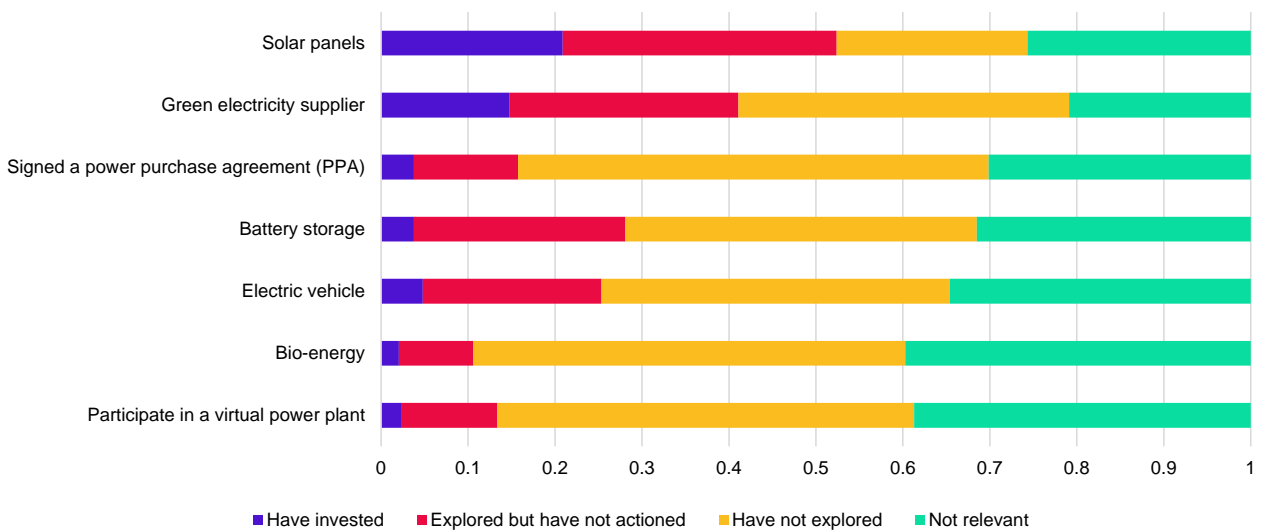


Figure 36: Which of the following have you invested in or explored? (Renters only) (n=292)

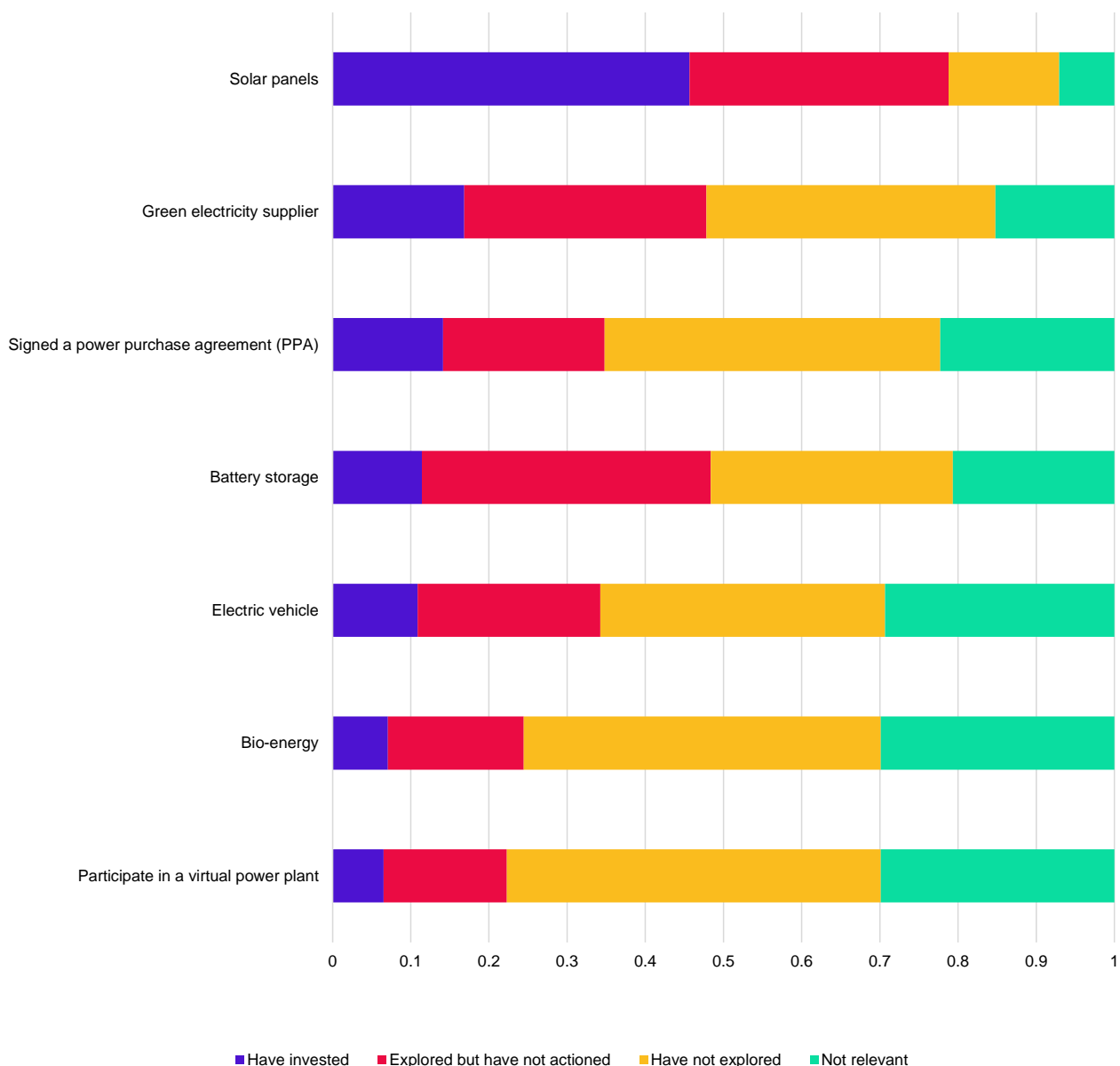


Figure 37: Which of the following have you invested in or explored? (Business owns premises) (n=184)

Businesses owning their premises are strongly correlated with greater investment in new energy technologies. This difference is most starkly visible in relation to solar, with 46 per cent of premises-owning businesses having solar compared with just 20 per cent of renters. All the other surveyed technology classes also showed increased uptake among premises owners, with the exception of signing up to a green electricity supplier, for which owning premises made no significant difference.

This finding again highlights the frequently observed problems faced by renters in accessing new energy technologies, and being able to move towards net zero in an affordable way. Further supports will be needed to reduce the imbalance between premises-owning and premises-renting businesses.

Solar PV

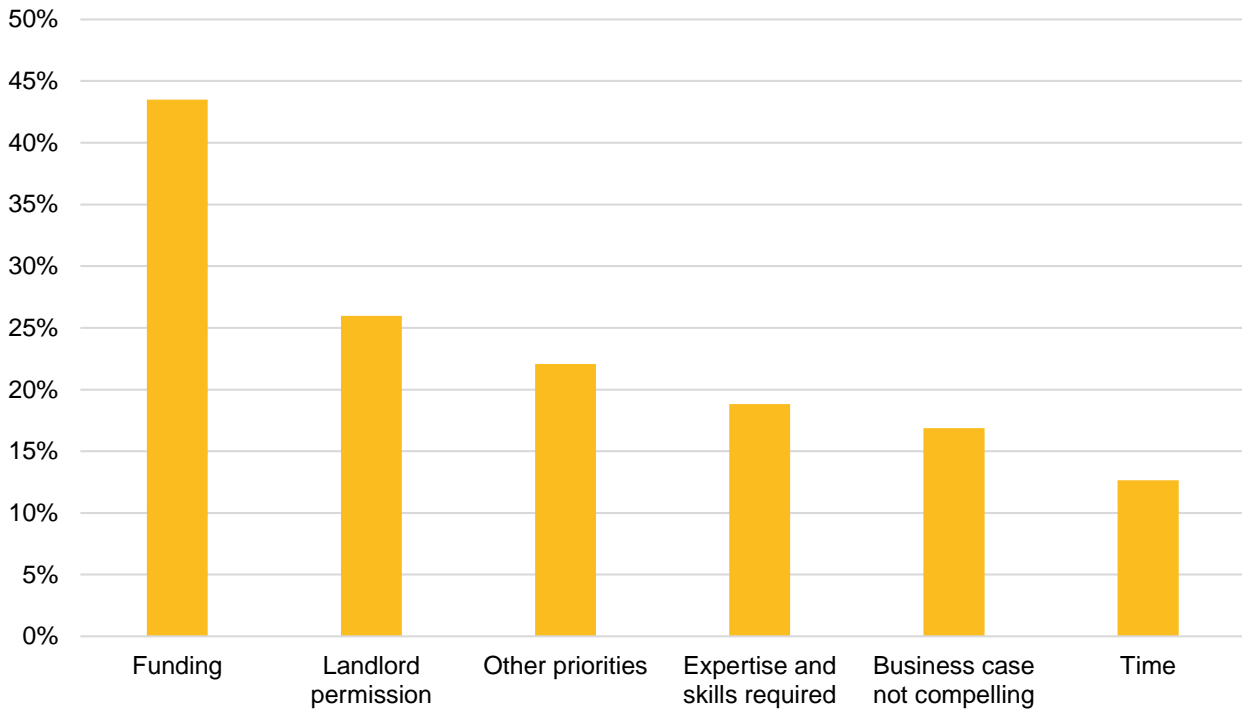


Figure 38: Why have you not invested in solar panels for your business? (n=308)

Among those businesses who have not yet invested in solar (who responded “explored but not actioned” or “not explored”, but excluding those who answered “not relevant”), the primary barrier is lack of funding (44 per cent). More than a quarter cited landlord permission as an obstacle. 17 per cent said the business case was not compelling.

By contrast, of those who had invested in solar, 80 per cent identified the financial benefits as a primary motivation, and 41 per cent the ability to take up incentives. More than half (54 per cent) said that installing solar was in line with their environmental objectives. Conversely expectation from the community (16 per cent), customers (13 per cent) or competitors (one per cent) were relatively weak drivers of solar installations.

Seventy per cent of solar installations were supported by subsidies or grants, but the remaining 30 per cent said they did not require subsidies to justify their solar installation.

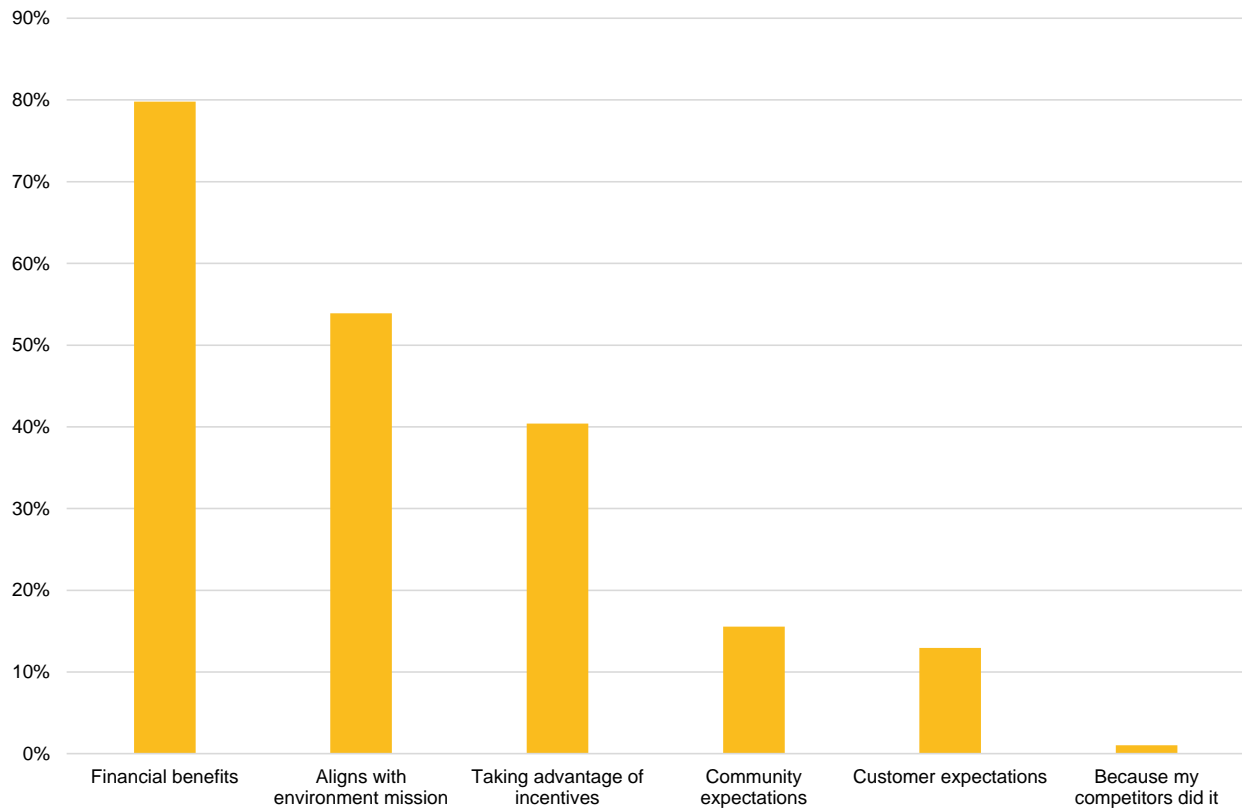


Figure 39: What were your motivations for investing in solar panels for your business? (n=193)

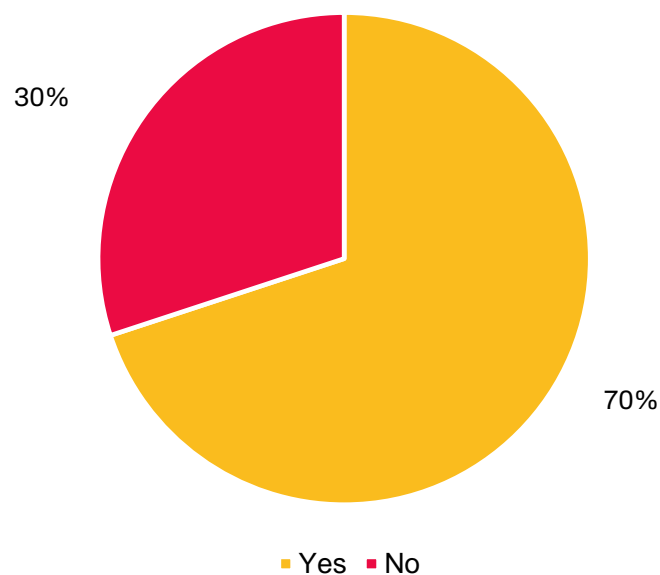


Figure 40: Did you access subsidies, grants or supports when investing in solar panels? (n=193)

Green electricity supply

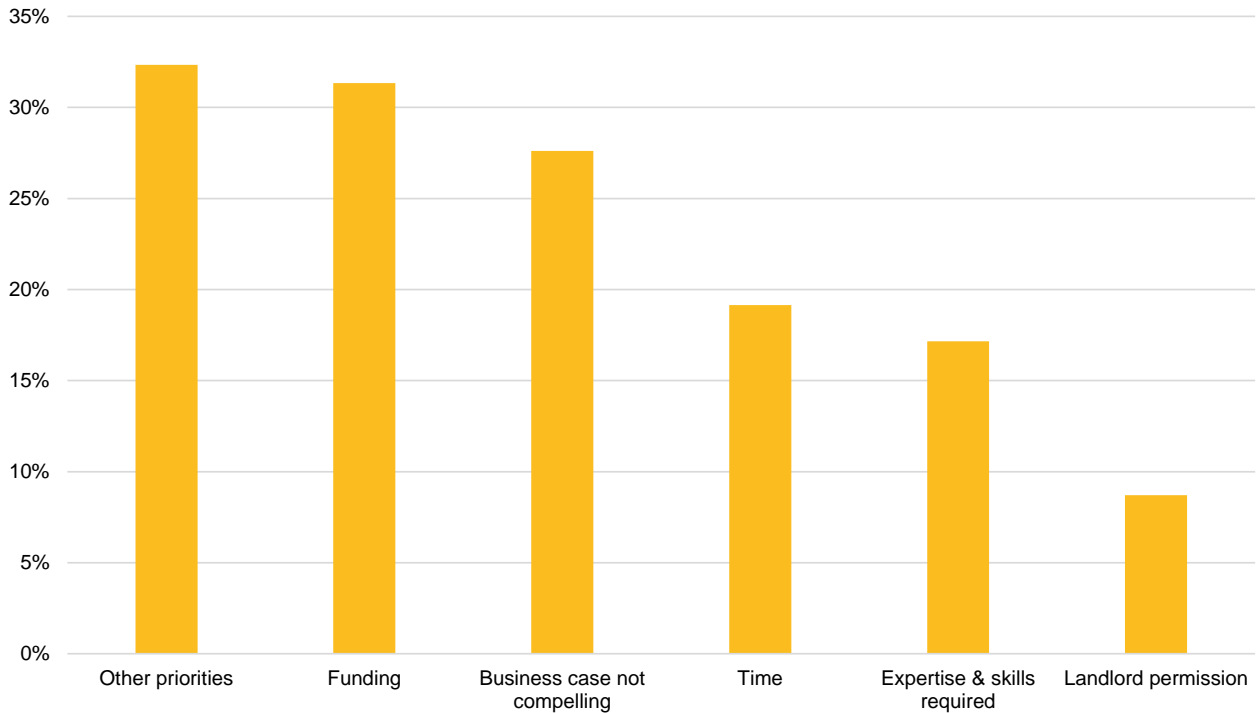


Figure 41: Why have you not invested in green electricity supply for your business? (n=402)

In contrast to solar PV investment, which was primarily motivated by direct financial benefits and underpinned by a widely accessible subsidy regime, choosing a green electricity supplier was far more likely to be motivated by a business's environmental mission (72 per cent). The cost premium associated with selecting a green or renewable-only electricity supplier is evident from the reasons for not opting for it, with lack of funding, the business case not being compelling and other priorities taking precedence all regularly cited as reasons.

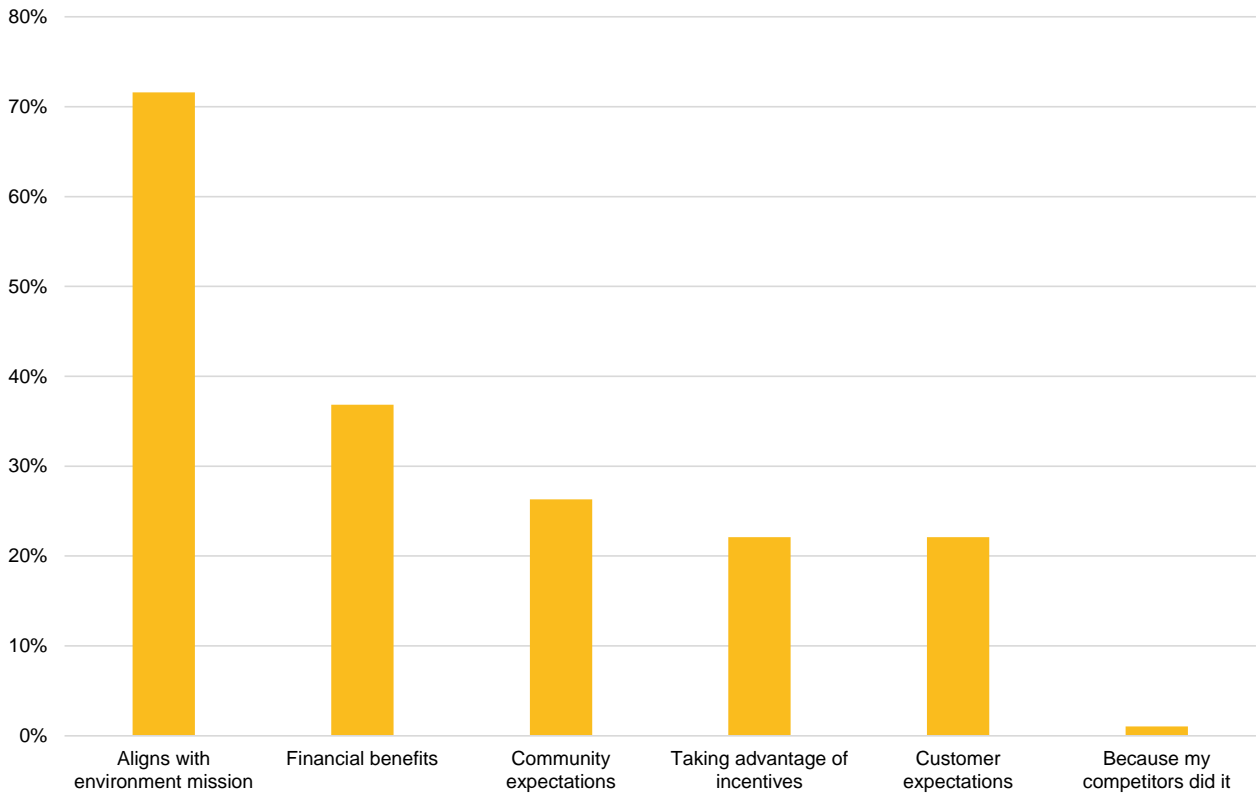


Figure 42: What were your motivations for investing in green electricity supply for your business? (n=95)

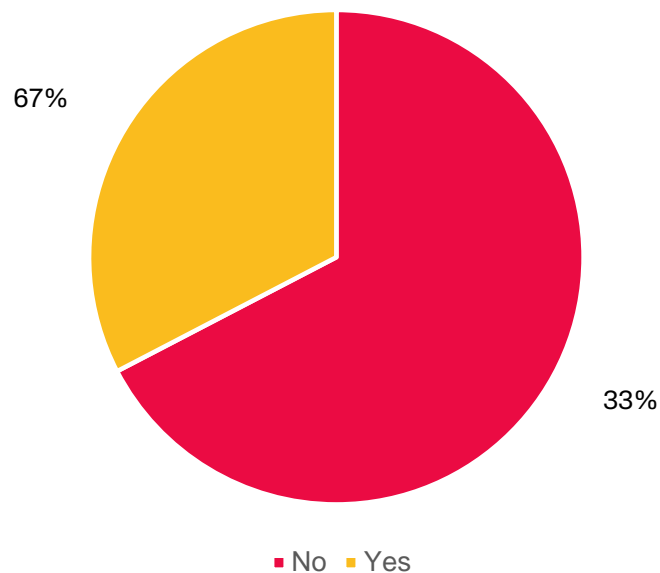


Figure 43: Did you access subsidies, grants or supports when investing in green electricity supply? (n=95)

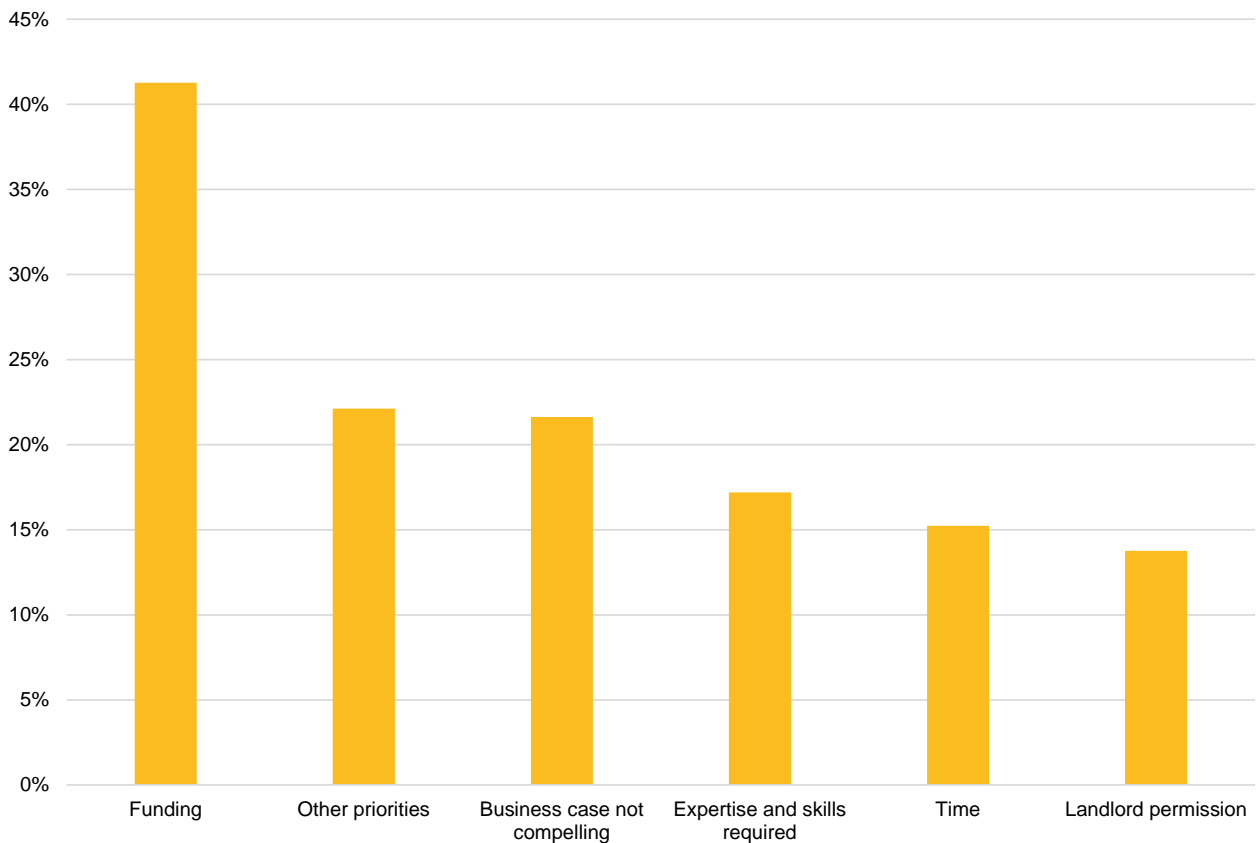


Figure 44: Why have you not invested in a battery for your business? (n=407)

The cost of battery storage is the main barrier for businesses to overcome when deciding whether to invest, with 41 per cent of those who had not yet invested citing this a reason. More than half of those who had chosen to invest in a battery had done so primarily because of the financial benefits, with a third citing the ability to take advantage of incentives as motivation.

There were 49 battery owners in the sample, of which 29 had solar as well, and 20 had a battery but not solar. Having already invested in solar is a significant driver of thinking about batteries. Fifty-eight per cent of businesses with solar panels have considered investing in batteries or already invested, compared to 29 per cent without solar. For those with solar, 76 per cent said their motivation was accessing financial benefits, compared to 55 per cent of all battery owners. Non-solar owners were more likely to cite accessing financial incentives (50 per cent) or customer expectations (also 50 per cent) rather than financial benefits (25 per cent) as their motivation for battery investment.

This analysis indicates two routes to expand battery take-up by SMEs. The first is further expanding access to solar, which helps create a business case to also invest in batteries. The second is to provide greater financial support or subsidy for battery take-up, to overcome the funding barrier.

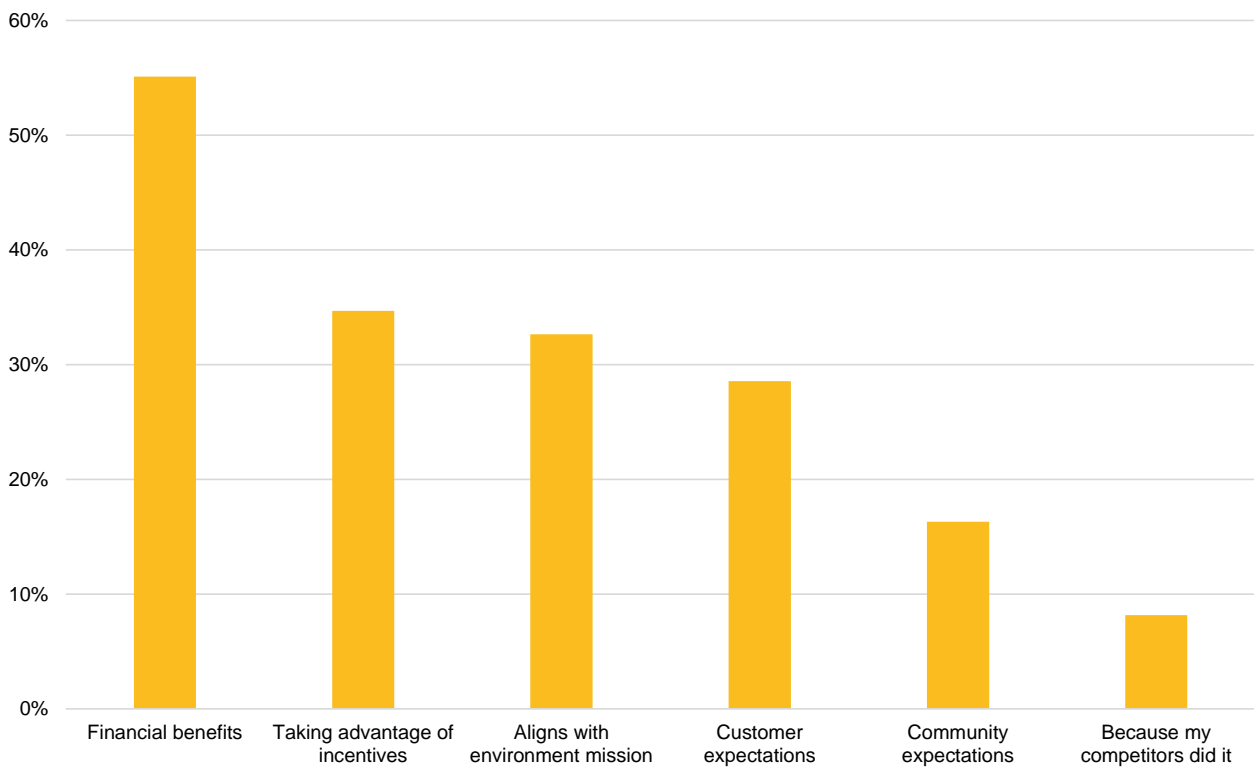


Figure 45: What were your motivations for investing in a battery for your business? (n=49)

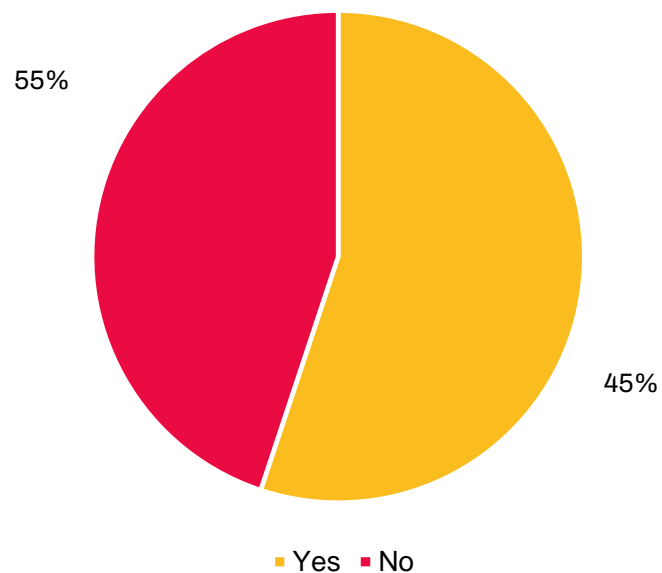


Figure 46: Did you access subsidies, grants or supports when investing in a battery? (n=49)

Power Purchase Agreement (PPA)

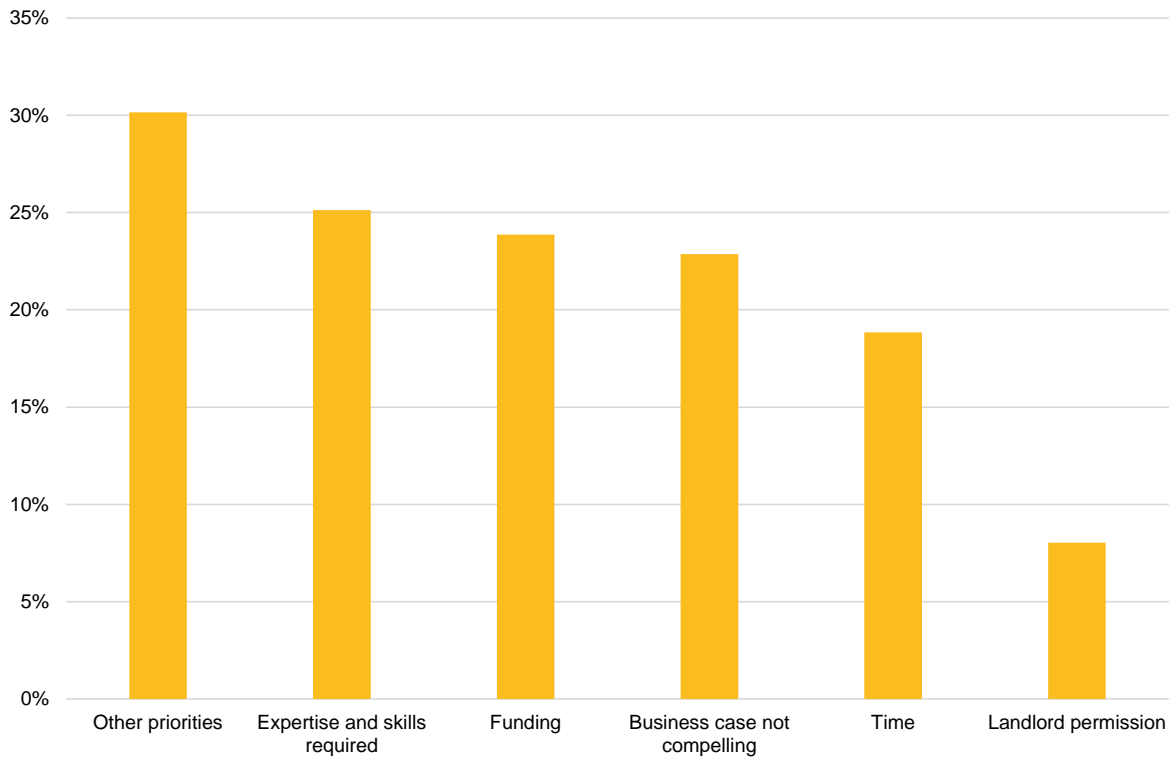


Figure 47: Why have you not invested in a PPA for your business? (n=398)

Business uptake of Power Purchase Agreements (PPAs, direct procurement contracts from electricity generators, usually renewable energy generations such as solar farms) is primarily hindered by lack of awareness. The two most common reasons for not investing in a PPA are the degree of expertise required (ie lack of knowledge), and the view that other priorities are more important.

Of those who had taken up a PPA, the most common motivation (56 per cent) was accessing the financial benefits. It is noticeable that the reasons given for using a PPA were different from using a green electricity supplier, even though in many instances they would both be ways of accessing greater volumes of renewable electricity. Alignment with environmental mission was much less frequently cited as a reason for a PPA (22 per cent) compared with a green electricity supplier (72%).

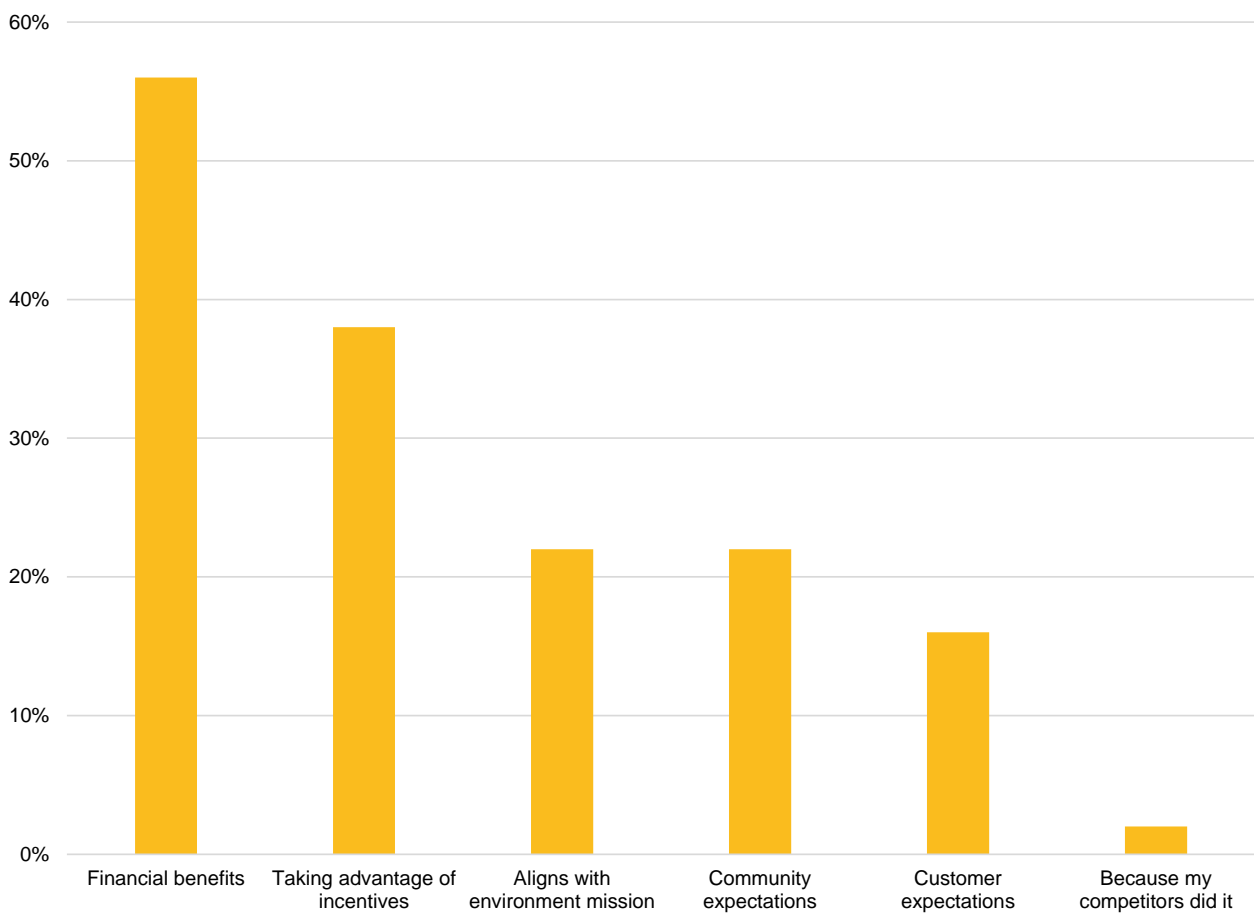


Figure 48: What were your motivations for investing in a PPA for your business? (n=50)

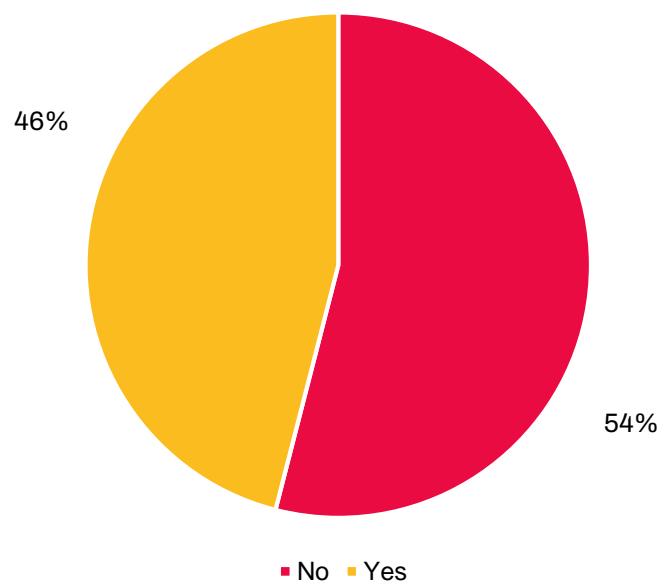


Figure 49: Did you access subsidies, grants or supports when investing in a PPA? (n=50)

Virtual Power Plant (VPP)

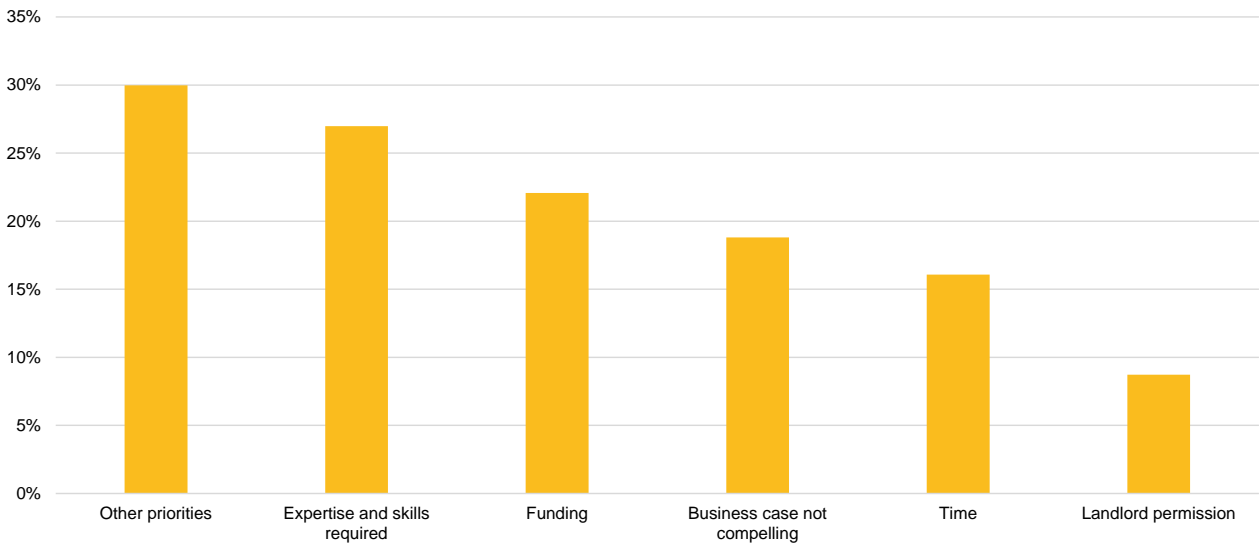


Figure 50: Why have you not invested in a VPP for your business? (n=367)

Responses about Virtual Power Plant (VPP) participation were similar to those about PPAs, indicating again a lack of knowledge about the product and the sense that other options are higher priorities.

The small sample size of VPP investors should be considered when evaluating responses. There was a wider spread of reasons for investing compared with other options, and financial benefits were only the fourth most commonly cited reason, behind available incentives, alignment with environmental mission, and customer expectations.

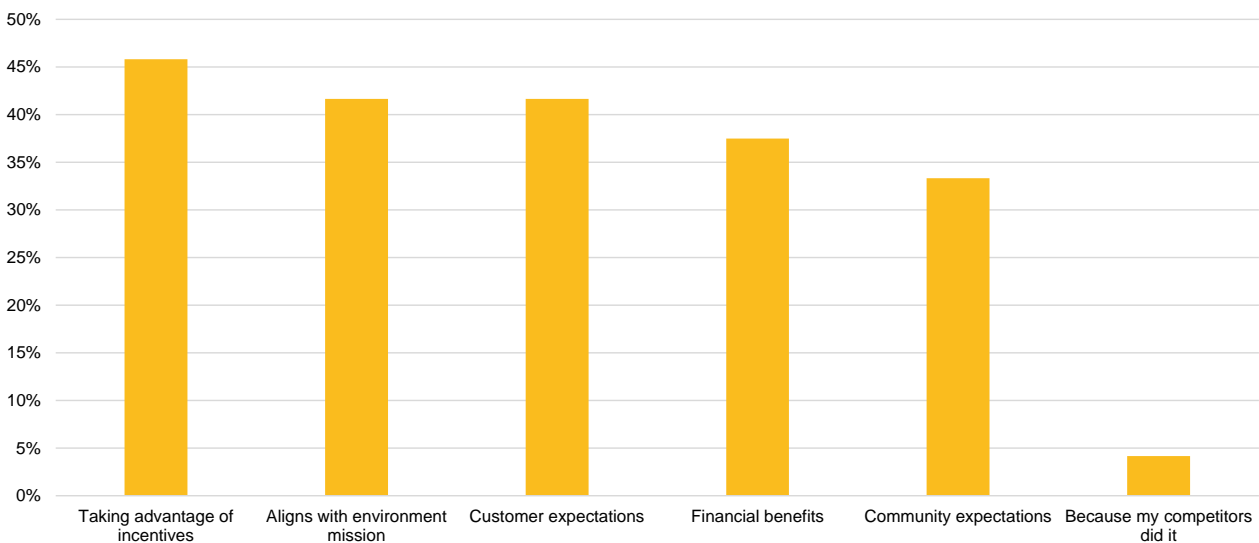


Figure 51: What were your motivations for investing in a VPP for your business? (n=24)

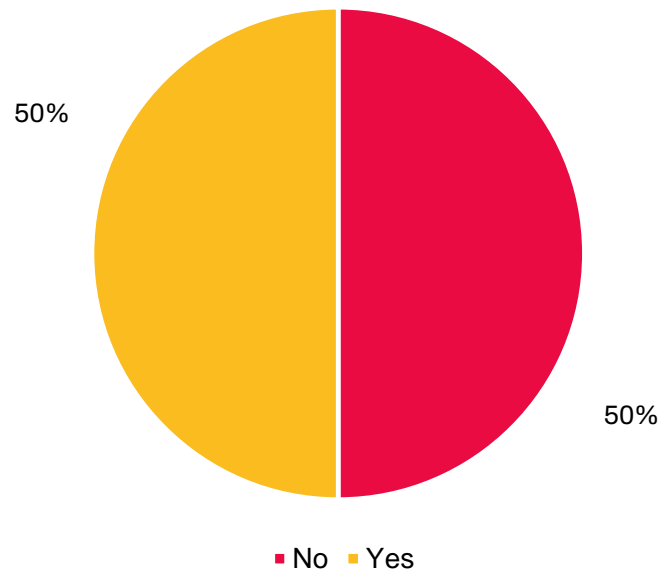


Figure 52: Did you access subsidies, grants or supports when investing in a VPP? (n=50)



Electric Vehicle

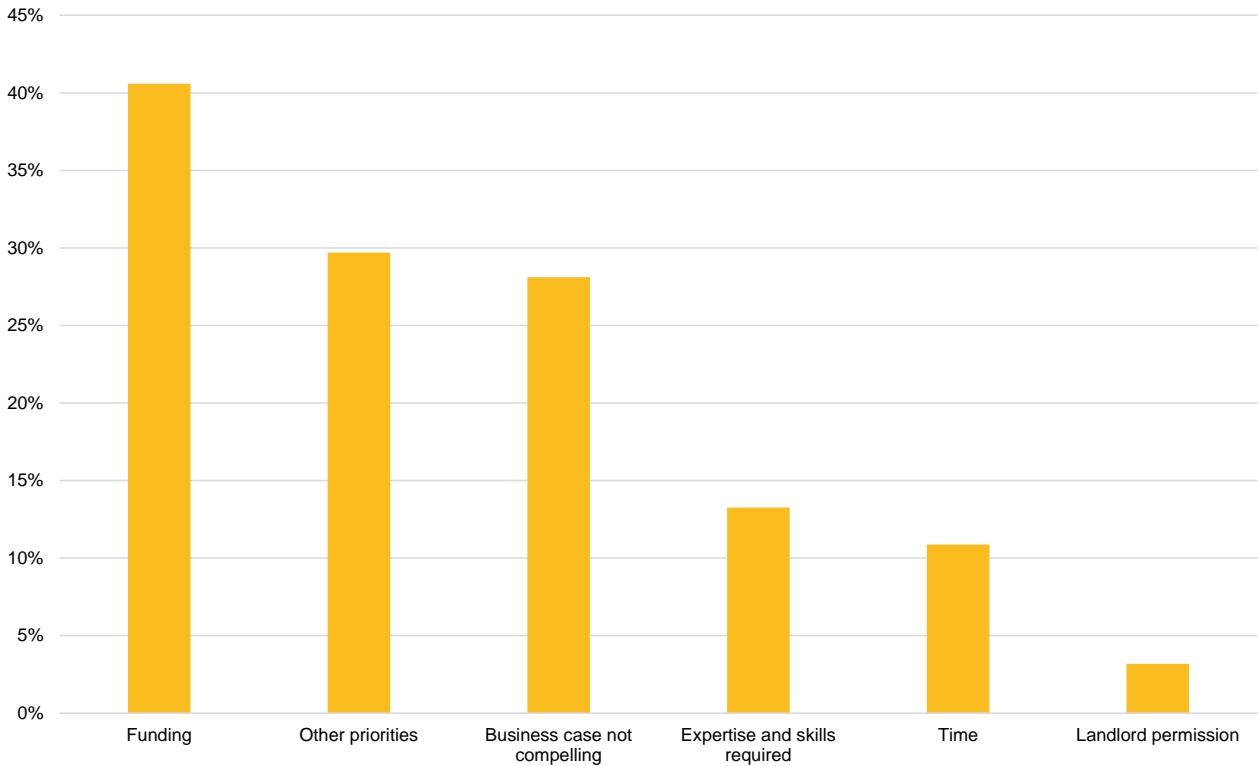


Figure 53: Why have you not invested in an electric vehicle for your business? (n=377)

Financial factors weighed heavily on both sides of the decision to invest in an electric vehicle. Among businesses who have not invested in an electric vehicle but for whom it could be an option (those who responded “explored but not actioned” or “not explored”, but excluding those who answered “not relevant”), funding was identified as the leading reason not to have invested.

On the other hand, the financial benefits were the leading reason cited by those who had invested (52 per cent), closely followed by alignment with the environmental mission (50 per cent).

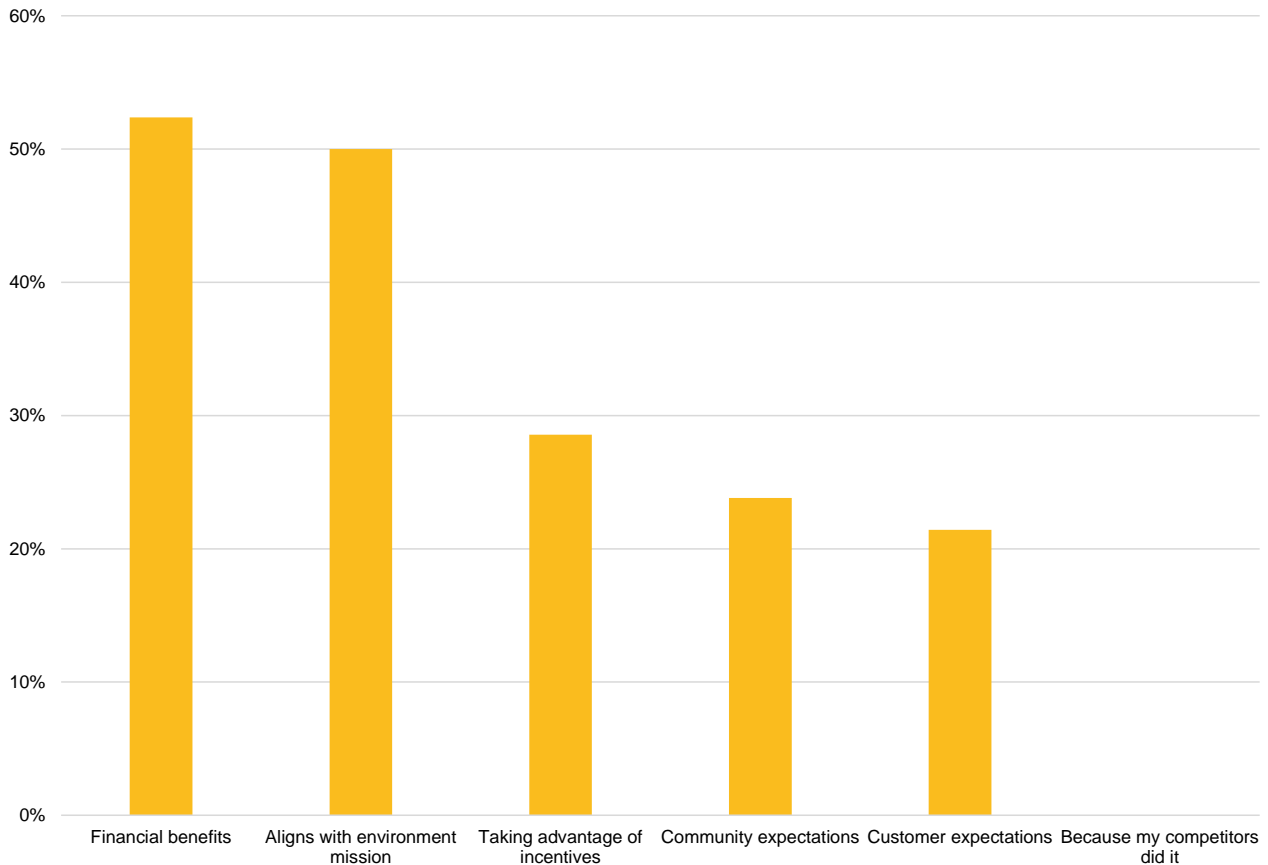


Figure 54: What were your motivations for investing in an electric vehicle for your business? (n=42)

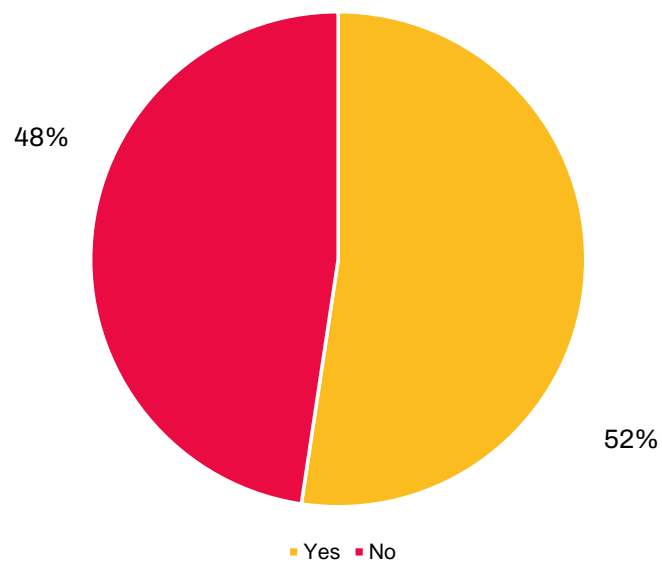


Figure 55: Did you access subsidies, grants or supports when investing in an electric vehicle? (n=42)

Bio-energy

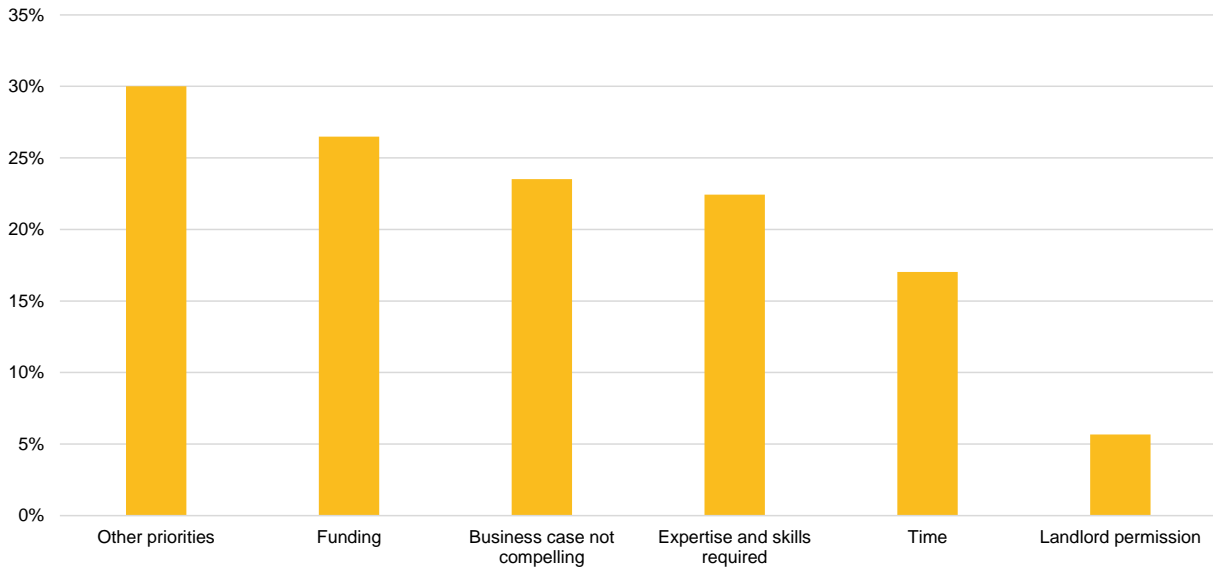


Figure 56: Why have you not invested in bio-energy for your business? (n=370)

Bio-energy was the least likely of all the surveyed technology options to have been investigated by businesses. As with other lower-prominence technology options, businesses cited having other priorities as their most common reason for not investing in it.

Half of those who had adopted bio-energy had done so because it aligns with their environmental mission, with comparatively few (27 per cent) reporting financial benefits. Bio-energy had the highest proportion of surveyed adopters accessing subsidies, albeit with a small sample size.

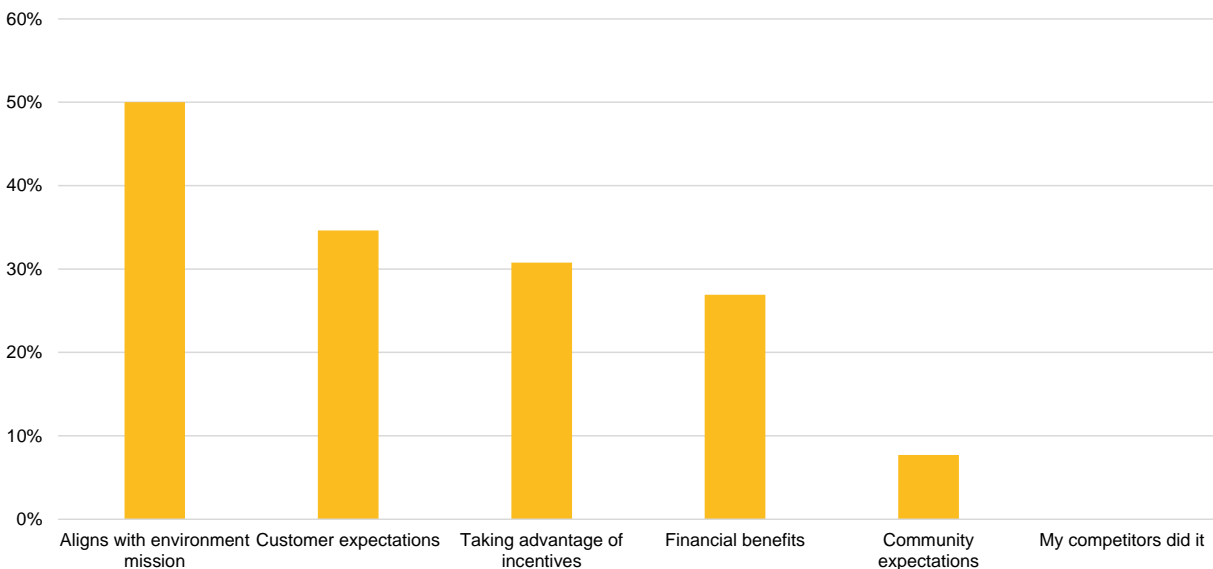


Figure 57: What were your motivations for investing in bio-energy for your business? (n=26)

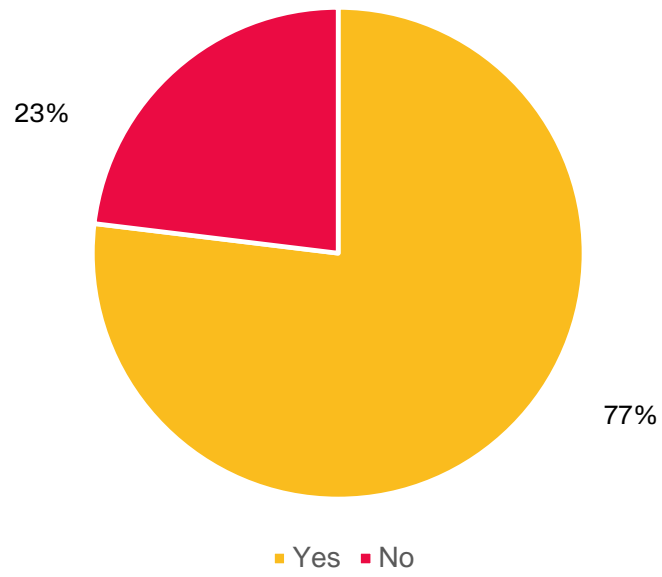


Figure 58: Did you access subsidies, grants or supports when investing in bio-energy? (n=50)



Comparison of findings

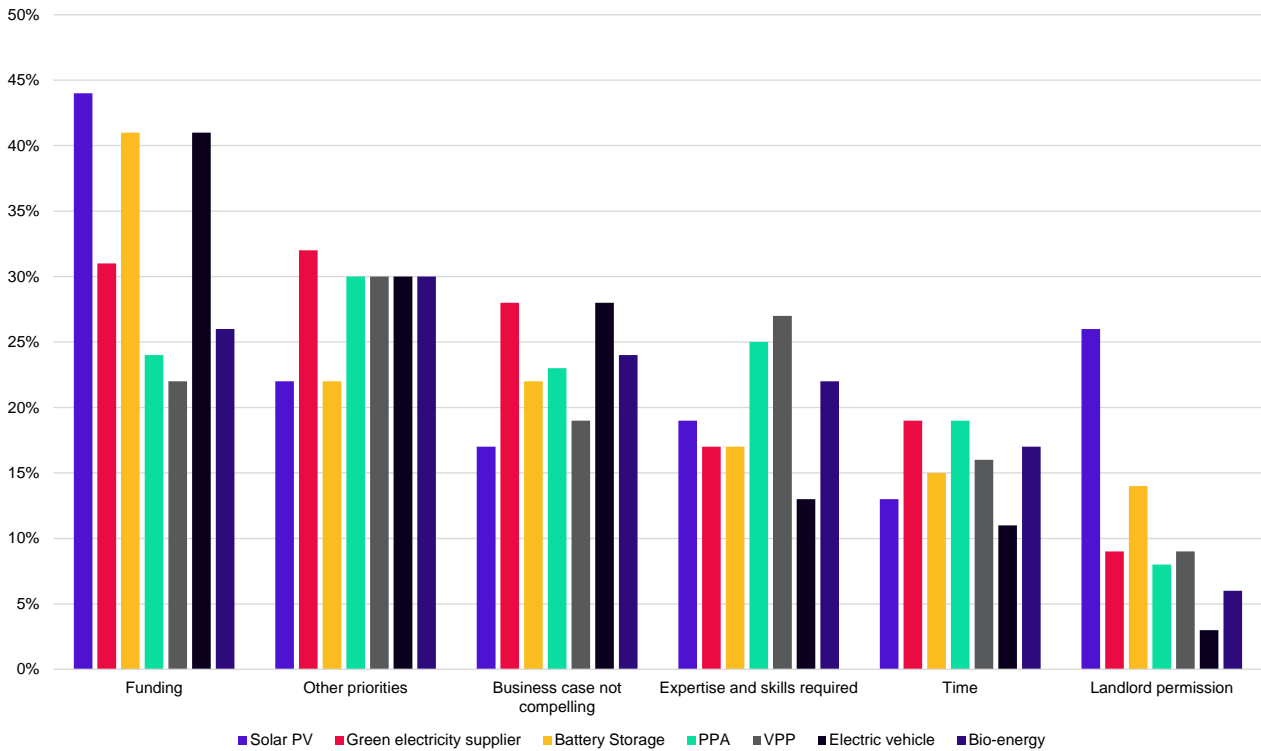


Figure 59: Comparison of barriers to new energy technology investment

Funding and prioritisation were the two most commonly cited reasons for not investing in technologies across the board. The less a technology is in use, the more likely expertise and skills requirements were to be cited as a barrier. Despite the frequently expressed view of businesses as being time poor, lack of time was among the lesser cited reasons not to have adopted different technologies.

Landlord permission was a barrier to solar PV investment but for other technologies was not a major impediment.

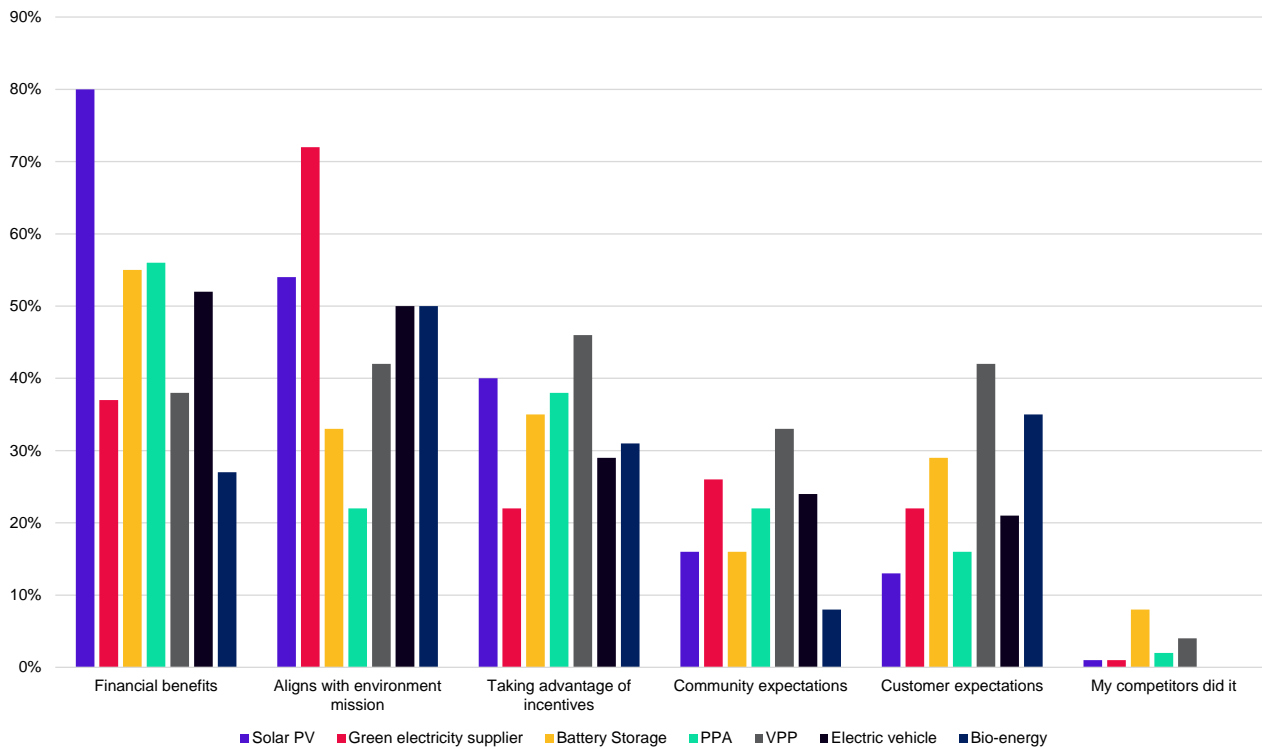


Figure 60: Comparison of barriers to new energy technology investment

Technologies could be divided into two groups – those for which financial benefits were the primary driver and those for which environmental benefits were the primary driver. Adopting a green electricity provider was a choice where environmental benefits dominated; signing up to a PPA was a choice where financial benefits dominated. Community and customer expectations were lesser factors, while pressure from competitors' behaviour was the least consequential motivating factor.

Using Energy Efficiently

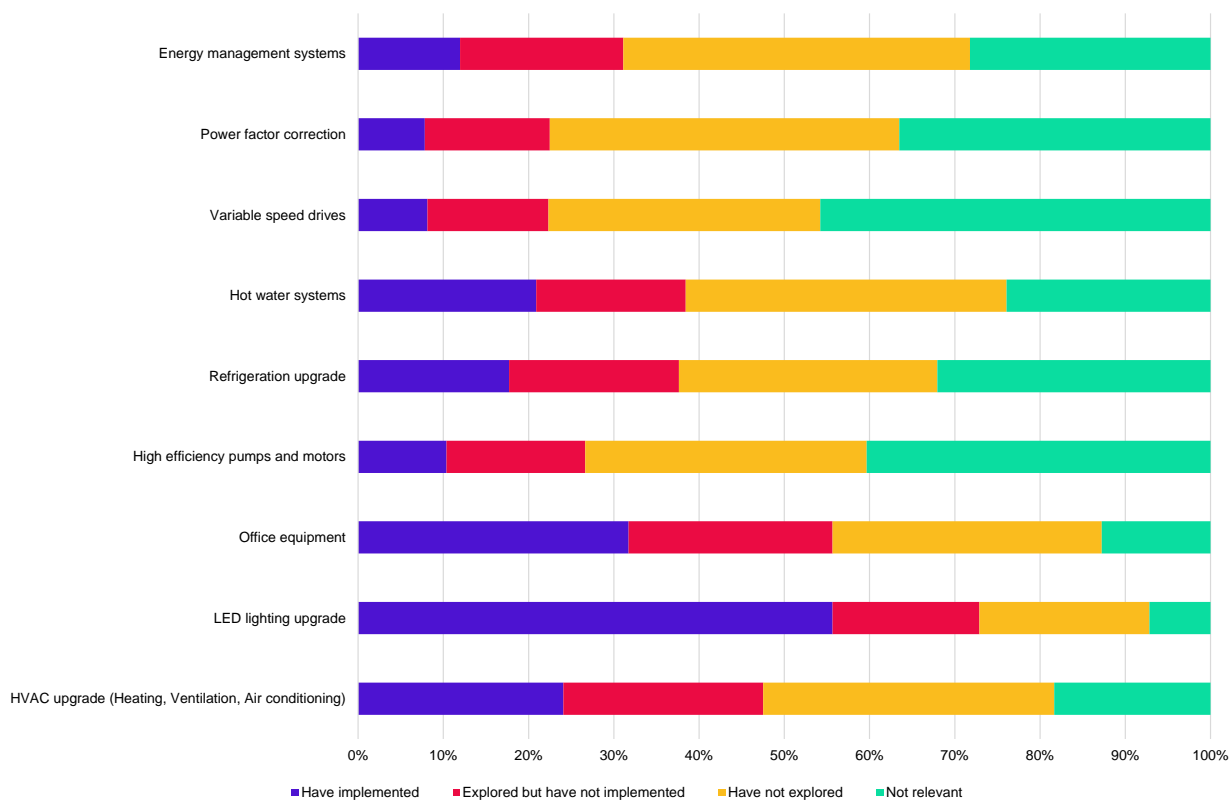


Figure 61: Which of the following energy efficient upgrades have you invested in or explored?

The relevance of energy efficiency options varies considerably from business to business. Lighting and office equipment have relatively universal applicability, whereas variable speed drives (54 per cent), pumps and motors (59 per cent) are only relevant to around half the surveyed businesses.

LED lighting upgrades are the efficiency measure that most businesses have already implemented, with 56 per cent of businesses having done so. Even here, though, where the business case is relatively clear (just 13 per cent of businesses view the business case as unconvincing, see below) 20 per cent of businesses have not explored getting a lighting upgrade and a further 17 per cent have explored but not implemented lighting upgrades. This indicates the extent of ‘low hanging fruit’ still available. As the results below indicate, access to funding for LED upgrades remains a barrier, despite government efforts in some states to sponsor lighting replacements.

The results indicate HVAC upgrades to be an obvious target for future energy efficiency policy support. It is a relatively universal technology type (the third least likely of the options surveyed to be viewed as “not relevant”), but current implementation of upgrades lags behind lighting and office equipment. The business case for HVAC upgrades rates as the second-best of the efficiency options surveyed, behind only LED lighting. Funding for HVAC upgrades is also a markedly more significant barrier compared to the other barriers: those who have not undertaken lighting or office equipment upgrades are only 3-4 percentage points more likely to cite funding versus having other priorities as their main barriers. For HVAC that gap is 12 percentage points (**the joint largest gap along with refrigeration between funding and other barriers**).

The combination of a compelling business case, widespread technology, and funding as the major barrier to implementation makes a strong case for future government subsidy programs for the SME sector to focus on HVAC, as it previously has done for LED lighting.

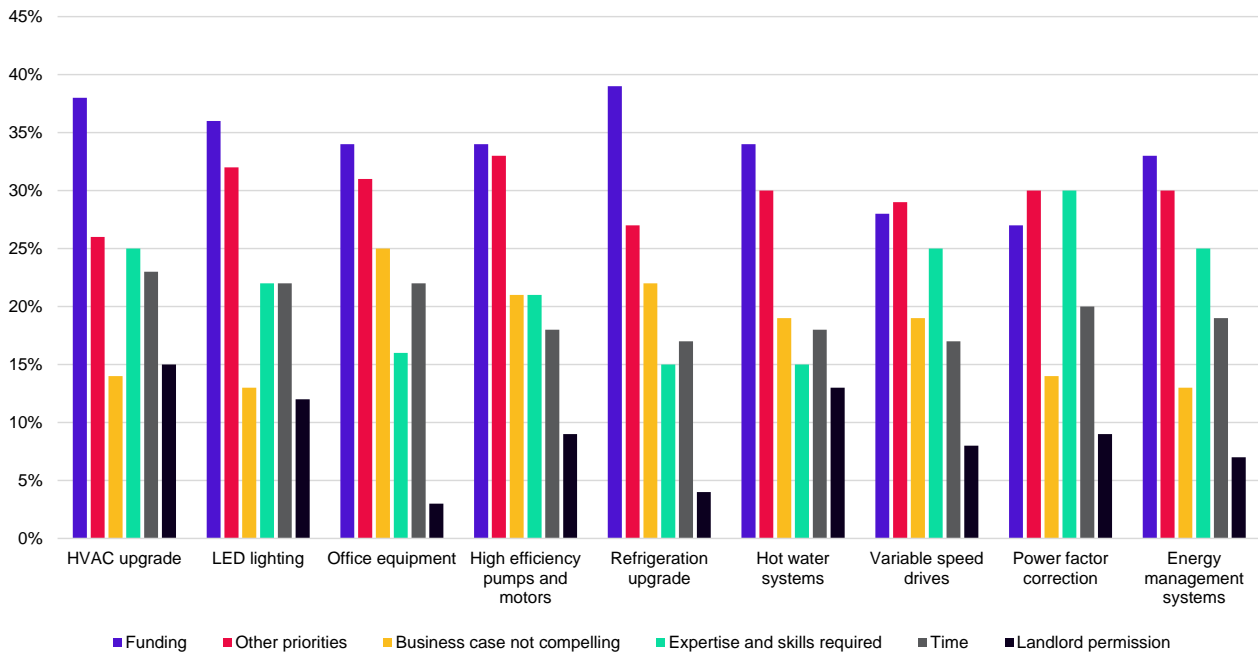


Figure 62: Comparison of barriers to energy efficiency upgrades by technology

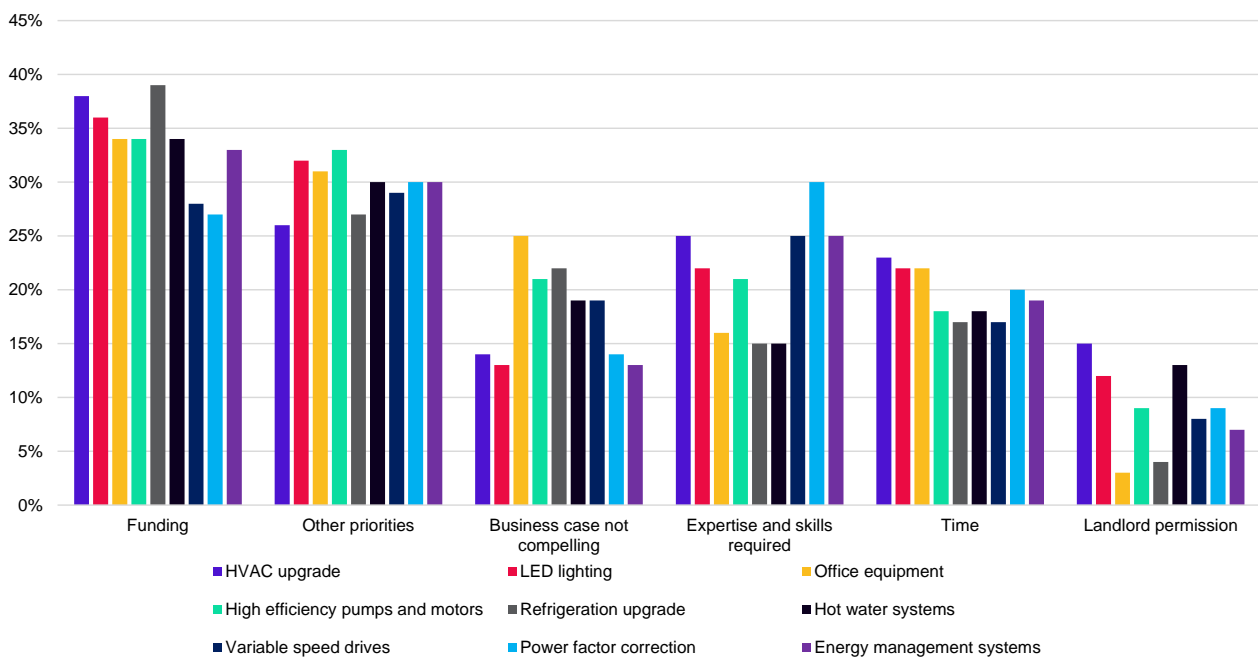


Figure 63: Comparison of barriers to energy efficiency upgrades by barrier

5. Conclusions & Next Steps

In embarking on this research project, Business NSW was very conscious of the gap in quality data about SMEs' energy needs. This report makes a sincere attempt to improve and update that knowledge base of publicly available information. However, it does not address every question policymakers might pose. And it is, inevitably, a snapshot of a particular point in time. As the energy system in Australia undergoes rapid transformation in the coming years, it will be important to ensure policymakers' understanding of the needs of consumers - including small business consumers - is kept up to date. Business NSW will continue to gauge the needs and experiences of its members, both through standalone research like this report, and through our ongoing survey activity, primarily the Business NSW Business Conditions Survey.

The results of the survey overall paint a picture of a business community expecting change, knowing that it is coming, but lacking the specific understanding of what that change means for them and their business. They also depict a small business sector that, amid energy price spikes, inflationary pressure and geopolitical crisis, is not pulling up the shutters and asking for change to stop. On the contrary, they are seeking out ways to make the most of that change, to use it to benefit their businesses, and to use new technologies as a way to protect their businesses from those external pressures. As policymakers and the energy sector proceed through the coming decade, it is vital that the SME community be brought on that journey, not left behind or dismissed as too difficult.

Business NSW's experiences providing advice and support to small businesses with their energy needs over the past three years shows that with the right approach, as a trusted independent advisor who isn't trying to sell something, that small business community can be reached and can be brought on the journey. Business NSW is developing its toolkit to be better able to support businesses on these issues in years to come.





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