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What an LSE-CBI survey reveals about net-zero action in UK firms

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*Sustainability is the focus of this second blog post about the survey of UK businesses carried out by LSE's Centre for Economic Performance and the Confederation of British Industry. **Juliana Oliveira-Cunha, Bruno Serra-Lorenzo and Anna Valero** analyse business responses to the ongoing climate crisis and net-zero targets.*

This is part 2 of a two-part series. See part 1 [here](#).

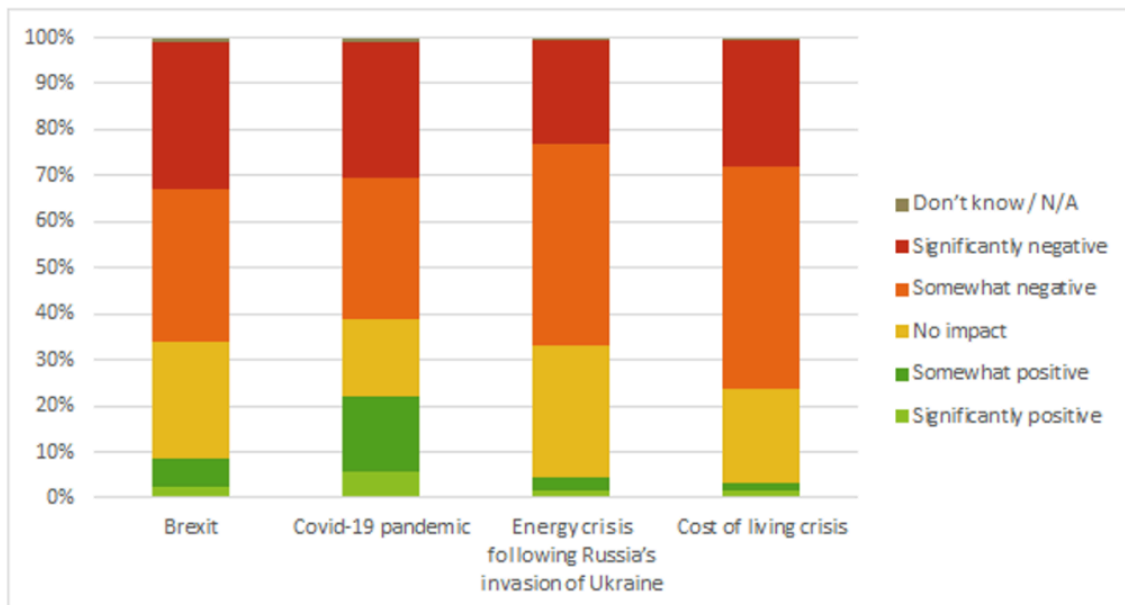
This blog post (the second in a series of two) sets out some of our initial results on how crises in the early 2020s have affected business actions on sustainability – as well as how these actions have and are expected to impact different aspects of firm performance. We report simple unweighted aggregates here, and our future research will explore differences across

firms and the drivers of action. Key findings on AI and more context on the survey can be found in our [first blog](#).

Impact of different crises and changes in the 2020s

We find that crises (the COVID pandemic, energy crisis and cost-of-living crisis) and change (due to Brexit) during the 2020s have affected the majority of businesses in our sample negatively (Figure 1) – over 60 per cent for COVID, the energy crisis and Brexit, and more so (over 70 per cent) in the case of the cost-of-living crisis. COVID stands out as a shock that has led to positive impacts for a relatively larger share of firms (perhaps this is related to the introduction of new products and services, and the adoption of new digital technologies, as documented in our [previous surveys](#)).

Figure 1. Impacts of crises and sources of change during the 2020s on business performance



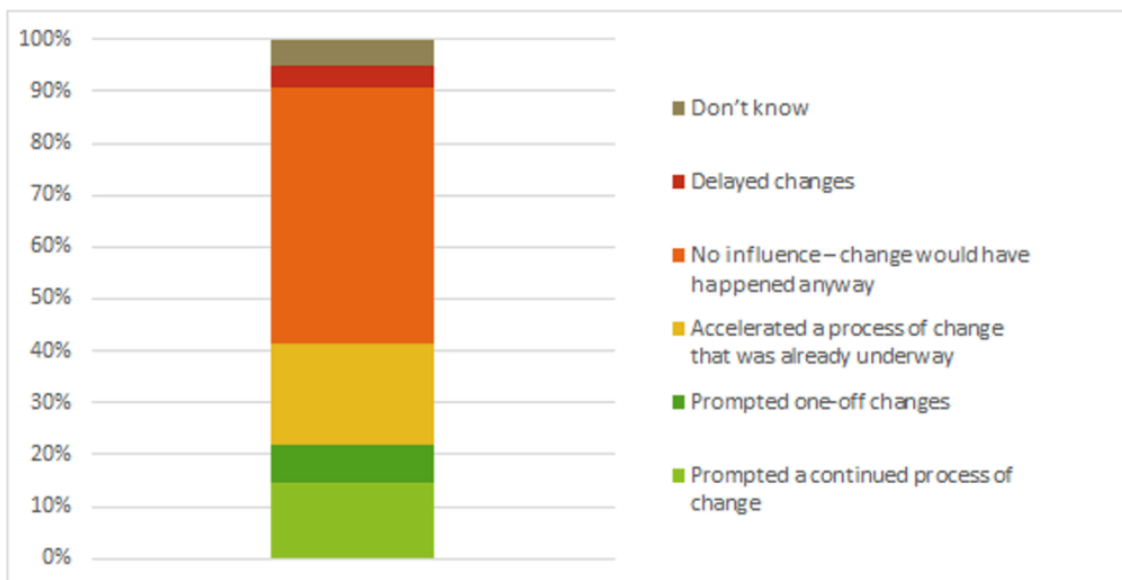
Notes: Unweighted aggregates. Based on sample of 407 firms that answered this question (excluding the small number of blanks that vary by crisis / source of change).

In 2019, the UK became the first advanced economy to make the legal commitment to reduce greenhouse gas emissions to net zero by 2050, and

delivering this requires change across sectors. Such change is reflected in our survey, with a third of our sample reporting that they have an environmental sustainability or decarbonisation strategy in place, and another third developing such a strategy.

In our **2021 survey** we found that nearly half of firms reported being more likely to act on net zero since the onset of COVID (and a further 50 per cent reported no change). In this wave, we were particularly interested in the impact of the energy crisis. One might expect that high energy costs could have induced more firms to invest in energy efficiency, for example. But it might have also diverted managerial time and resource from making investments in longer term resilience. Figure 2 suggests that the former applies – for a substantial share of firms (around 40 per cent), the energy crisis has either accelerated a process of change that was already underway or prompted either a one-off or continued process of change. The majority of firms report that it had no influence, and a small minority (4 per cent) consider that it delayed sustainability actions.

Figure 2. Impact of energy crisis on environmental sustainability actions

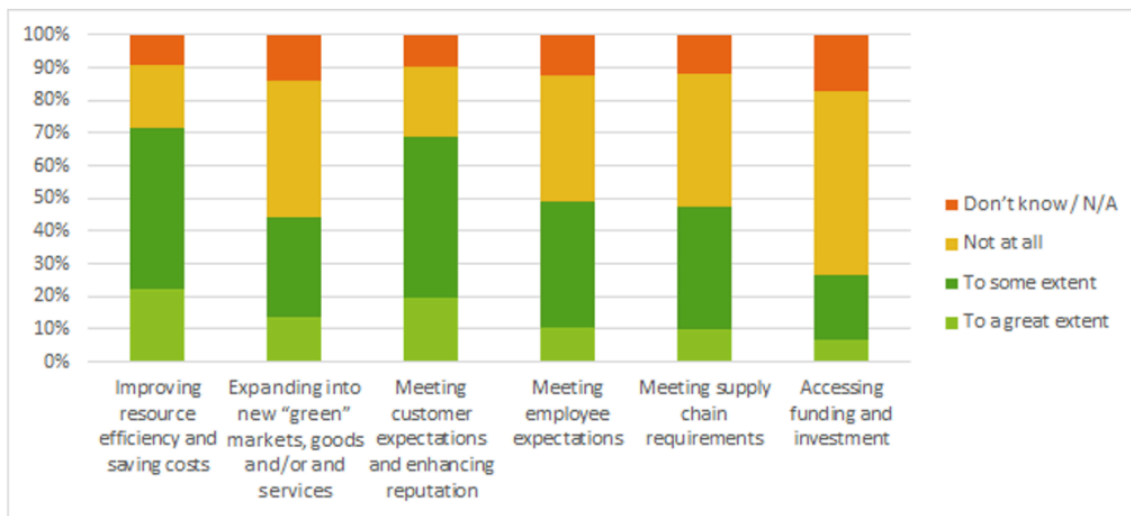


Notes: Unweighted aggregates. Based on sample of 373 firms that answered this question.

Motivations for sustainability actions

Consistent with the impacts of the energy crisis on sustainability actions we have documented, a key motivation for making net-zero changes was improving resource efficiency and saving costs – this consideration was chosen by over 70 per cent of our sample as affecting decisions to improve sustainability to some extent or a great extent (figure 3). Meeting customer expectations also appeared to be particularly important – as well as a range of other considerations featuring prominently.

Figure 3. Considerations affecting decisions to make net-zero changes

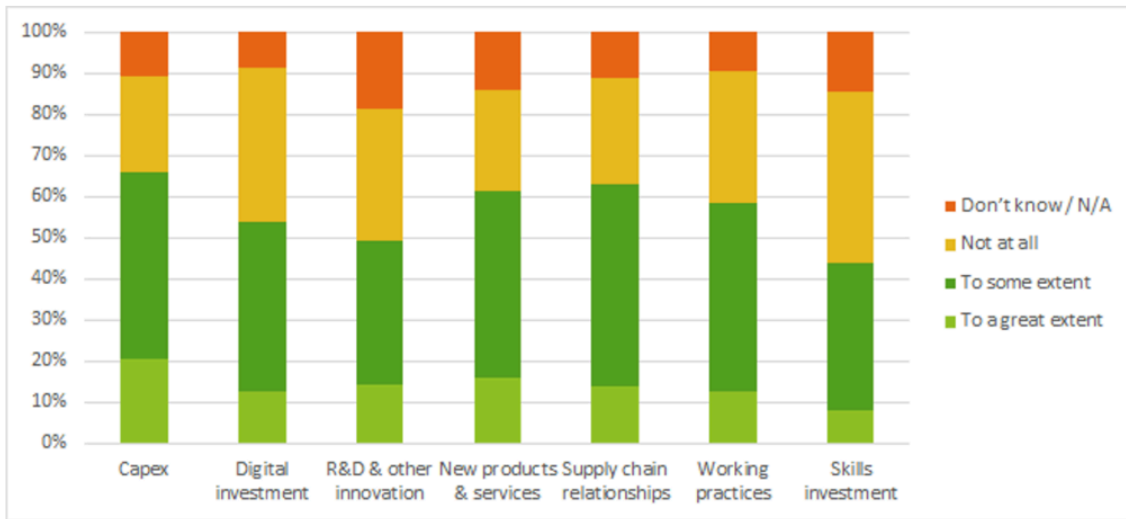


Notes: Unweighted aggregates. Based on sample of 373 firms that answered this question (excluding the small number of blanks that apply for some considerations).

Sustainability concerns and business decision-making

We also found that sustainability considerations feature across different areas of business decision-making (figure 4), perhaps more so when it comes to capital investment, the introduction of new products and services, supply chain relationships and working practices.

Figure 4. Environmental sustainability considerations in business decision-making



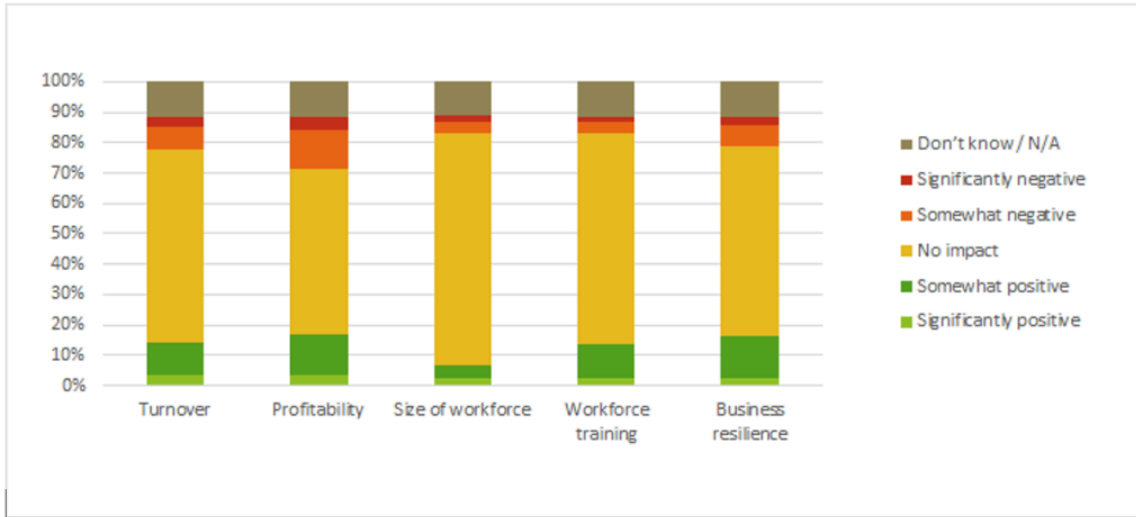
Notes: Unweighted aggregates. Based on sample of 375 firms that answered this question (excluding the small number of blanks that apply for some areas).

Impacts of sustainability actions on business performance

There are many debates about the impacts of net zero on firms. Our work has provided evidence of likely **benefits** for firms able to develop clean products and services to serve growing domestic and global demand, as well as opportunities to improve **resource efficiency**, and offer **good quality, skilled jobs**. But it is also clear that the transition requires investment and change, which implies costs that need to be met in the short run.

When asked about the overall impact of net-zero-related changes on different aspects of business performance so far, the majority of our sample stated that there has been no impact (figure 5). While a minority of firms report positive or negative impacts, these are balanced in the case of turnover, profits and size of the workforce. A higher share of firms report positive impacts on training and resilience compared to negative impacts. These results are likely to vary significantly by sector, and we will explore this in the next phased of our analysis.

Figure 5. Impacts so far of net-zero changes on different aspects of firm performance

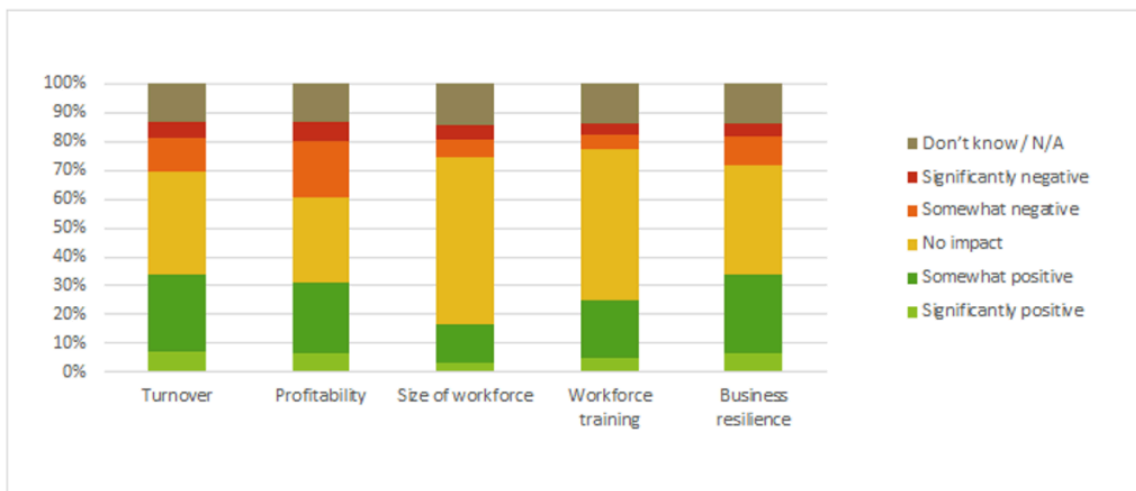


Notes: Unweighted aggregates. Based on sample of 372 firms that answered this question (excluding the small number of blanks that apply for some areas of performance).

Net zero expected impacts

For many firms, the transition to sustainable operations is in early days, so it is interesting to ask about expected impacts too. A clear pattern emerges with fewer firms anticipating there to be no impact, and across areas of business performance, larger shares expecting positive rather than negative impacts.

Figure 6. Expected impacts of net-zero changes (next 5-10 years) on different aspects of firm performance



Notes: Unweighted aggregates. Based on sample of 374 firms that answered this question (excluding the small number of blanks that apply for some areas of performance).

some areas of performance).

Looking forward

Overall, our results suggest that crises in the 2020s have not led firms to waver when it comes to sustainability actions, and that the energy crisis in particular has prompted or accelerated actions in a large share of firms. The opportunity to improve resource efficiency and save costs is an important driver of change and so are demand-side factors. We find evidence that environmental sustainability features across key areas of business decision-making, including to some extent in digital and skills investments, but as of now, the impacts have not yet been felt by most businesses.

Businesses generally paint a positive picture when asked about how they expect actions taken on environmental sustainability to impact different aspects of performance in the next 5-10 years.

Our forthcoming discussion paper will analyse the survey results in-depth, studying the differences by firm type, as well as complementarities between net-zero changes and the adoption of digital technologies, in particular AI, in firms.

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- See Part 1 of this series [here](#).
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