Net Zero Carbon: A Five Point Plan for Foodservice Equipment

FEA fully supports the move to net zero carbon by 2050 and we are active in representing the case as it relates to manufacturers and suppliers of foodservice equipment.

As a result of the financial pressure on operators in hospitality due to the Covid 19 pandemic, this important sector of the UK economy will not have the liquidity to invest in the equipment that will help reduce energy use and carbon emissions. We face the potential for a slowing of progress on energy reduction if swift action is not taken.

It is vital that the momentum of pre-existing EU directives, UK legislation and other carbon-based incentive schemes is not only maintained but developed. This pre-existing legislation includes eco-design and energy labelling measures for refrigeration only. There is a significant gap in covering the remaining 72% of energy use in a commercial kitchen[1]. We need Government to put the regulation and policy in place to cover all equipment used in commercial kitchens. (See Annex 1).

Some types of commercial foodservice equipment use more electricity than a typical UK household. Evidence suggests that restaurants, commercial, and institutional kitchens are amongst the highest energy consumers in buildings, using roughly five to seven times more energy per square foot than office buildings or retail outlets. This is because of the volume of food that is prepared/cooked and served to high numbers of consumers, within a defined time period.

The debt overhang as a result of Covid 19 will inhibit investment and will cause caution relating to R&D investment, with companies needing to see a return to profit before R&D investment can be restarted.

This document introduces a set of initiatives which are mutually supportive but which can also be introduced individually. They are designed to address the need to reduce energy and carbon in commercial kitchens whilst ensuring full alignment with the UK Government's short, medium and long term goals. We urge speedy action to avoid stepping backwards on energy efficiency in this hard-hit sector.

1. Manufacturer Tax Credits – focused on the manufacturer

Manufacturer tax credits would be effective for a UK industry facing significant financial challenges. An appliance incentive would provide 'per unit' credits to manufacturers for the production of the most efficient foodservice equipment. This should cover cooking equipment, warewashing equipment and ventilation systems in addition to refrigeration (which already has a measurement standard).

[1] DEFRA,Carbon Trust Industrial Efficiency Energy Accelerator Sector Guide

This will ensure timely action from manufacturers as the credits would be claimed quarterly, at least for the first 12 months.

Such a scheme would encourage manufacturers to produce more of their highest efficiency products for the market and allow them to offer a related discount and promotion of the units at the point of sale. As these products gain market share, the qualifying specifications can be uplifted, and the next phase of incentives adjusted to the required level. This effectively futureproofs the development of the scheme and allows it to keep pace with market innovation and product development. This will be effective in encouraging new product development and underpins research and development work - budgets for this work are under severe financial pressure. This will also provide an effective link to the Government supported Knowledge Transfer Programmes by facilitating the adoption of technologies from other markets and sectors, something that the FEA has been active in promoting to its members.

There is significant evidence relating to the value of such a Manufacturers Tax Credit initiative from Energy Star (USA), where the modelling is aligned to success in the domestic appliance market. In the commercial foodservice equipment sector there are already standards in place that could be adopted to complement existing standards, i.e. Eco-design and Energy labelling for commercial and professional refrigeration products. Where there are energy related standards in place these should be used as the basis for measuring performance to avoid duplication and the associated costs of additional product testing for manufacturers.

Energy efficient alternatives are available for many commercial kitchen products, these could easily be identified by a new UK Energy Efficient Product Label or sector specific label to facilitate promotion of the scheme.

A barrier limiting the market adoption of energy efficient models in this category is the higher capital cost of these products. Manufacturer Tax Credits would increase choice in models and allow for attractive manufacturer-sponsored incentives that close the gap in price between a conventional model and a more energy efficient model. Success could be monitored by the growing market share of the defined products. Lifecycle energy savings combined with ancillary savings can be offset against the capital cost. (Reference: Carbon Trust/DEFRA Cut Cost and Carbon Calculator).

2. Pro-active recycling/Scrappage Scheme – focussed on the user

A funded scrappage scheme should be introduced to ensure that operators can invest in more energy efficient equipment. This scheme can operate independently or in conjunction with the Manufacturer Tax Credit scheme and Energy Technology List proposals. It would be administered using the existing WEEE Compliance Schemes. The benefit of the scrappage value must be transparent at the point of purchase of the new equipment. This would be on a like-for-like replacement basis for similar functionality i.e. a refrigerator for an approved energy efficient refrigerator. The functional lifetime of capital equipment in the sector is typically 8-10 years. This means that there are already significant energy related lifecycle cost

savings though product developments over this period. This benefit is significantly enhanced through the purchase of low energy using equipment, when compared to the old equipment being replaced. The Government would provide a fee to the operator directly, which will allow for transparency and effective monitoring/reporting. This should be after the purchase of the replacement product from the approved product list (See ETL proposals); and can be claimed by the purchaser.

Operators should have the choice to receive the cash incentive at the point of purchase and also be able to offset the purchase cost of new, more energy efficient equipment, against the business rates of the establishment utilising the equipment. This will allow for a transparent and direct 'benefit-based' approach to supply chain support in marketing equipment benefits.

3. Consultant/Specifier engagement

This group is critical to the initial specification and design of foodservice kitchens and to ensure a 'no-gaps' approach to the supply chain it is important that equipment has the ability to qualify for BREEAM (www.breeam.com) and LEED certification points, where equipment is deemed to meet the set criteria. This will allow the foodservice equipment design/ specification process to qualify alongside other certification points criteria benefits and enable this key energy using area to have equal prominence and benefit to the overall environmental needs of a building. This is desirable for building owners and operators alike and will enforce the manufacturer, dealer and operator aspects of this plan.

4. Reseller or Dealer Margin

The reseller or dealer must be incentivised at the point of purchase to ensure that they can on-sell the benefits of the energy-saving appliances to their end-user customers. This financial incentive will hold together the effective communication of the values associated with purchasing more energy efficient equipment. It further promotes the ETL listing and the associated energy labelling information. Where a manufacturer sells directly to the customer, they too should also be eligible for the same level of incentive. These could be paid by the company, directly to sales representative.

5. Energy Technology List and associated regulation

We are fully supportive of the development of the criteria for qualifying foodservice equipment products. This could be the basis for assisting with procurement processes in addition to being a portal of equipment that can be purchased to qualify for both the Manufacturer Tax Credit Scheme and the Scrappage Scheme for old equipment.

It can also be the basis of the criteria for Government Regulation on this matter, relating to purchases for use in Government owned and occupied buildings of all types, to ensure that only energy efficient equipment is used. This has the additional benefit of assisting with compliance of the Energy Performance of Buildings Directive requirements. While support schemes may be politically preferred compared to Government Regulation (which requires policing), it will lead the foodservice equipment specification and purchasing process towards the carbon zero 2050 target. It can also be a process for other product sectors. Implementation of this option may take longer than the proposals above but might provide the vehicle for ongoing development towards the 2050 target.

Conclusion

We now need a new generation of policies to achieve the requirements that are aligned to the IPCC Sustainability Goals, 13 of which have a direct effect on the foodservice industry and its equipment supply chain.

The work described here would support the SMEs that make up the supply chain businesses in the sector and these initiatives and policies will support R&D innovation as well as existing sales of product into the market.

Integrated but independently operated schemes will demonstrate joined up governance and implementation, thereby maximising the opportunity for the sector to achieve the required goals. We urge swift action as the hospitality sector comes out of lockdown.

The FEA will be keen to assist further with the development of the discussion on these proposals.

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ANNEX 1

Background to the Foodservice Equipment Value Chain and the Operator Customers.

The Market

The UK foodservice and catering equipment industry served **8bn meals** with customer sales worth **£52.7bn** (£70.7bn when including drink only sales via pubs/bars etc.) in the last full year of trading prior to coronavirus. The inevitable reduction in outlets as a result of the pandemic will be catastrophic for the foodservice equipment industry as it is wholly dedicated to supporting the foodservice operator market, in both its primary and secondary sectors (see below).

The UK has an established record of commercial kitchen equipment manufacture, design and innovation. Our products are exported around the world. It is the case that the UK has been and still is at the forefront of foodservice development and innovation. (The FEA is a DIT Trade Challenge Partner and we support the sector at leading global exhibitions and events).

The market value of the foodservice equipment industry value chain is **£1.3bn** and it employs over **10,000 people** in the UK. The FEA represents the breadth of the sector which includes equipment manufacturers, importers, distributors, design and installer consultants, service, and spare parts supply. 10% of business is export related.

The Equipment

Typically, the equipment sector's products comprise: **cooking and warming appliances, refrigeration, warewashing, beverage systems, food waste & fats oils and grease management systems, light equipment and tableware, ventilation, spare parts and servicing.**

The Customer Base

The sector's operator market comprises 427,627 outlets of which 267,485 (62%) are independent operators. Foodservice equipment is extensively used for out of home eating and drinking across the following key operator sectors:

Primary sector operators – where foodservice is the primary function:-

- Hotels, Quick Service Restaurants, Restaurants, Pubs and Bars.

Secondary sector operators– where foodservice is a secondary function:-

- Healthcare, Education, Public and Community Services, Armed Forces, Leisure and Recreation, Workplace, Visitor attractions, Venues, Travel, Stadia and Event Catering, Food Retail Sector

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