

## **BRC SUBMISSION TO THE HOUSE OF LORDS ENVIRONMENT AND CLIMATE CHANGE COMMITTEE ON ITS INQUIRY INTO BEHAVIOUR CHANGE IN THE CONTEXT OF CLIMATE CHANGE (MITIGATION AND ADAPTATION) AND THE ENVIRONMENT (E.G. BIODIVERSITY, WATER, WASTE AND THE CIRCULAR ECONOMY, AND AIR POLLUTION)**

13 December 2021

1. The British Retail Consortium's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future. Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow. The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees.
2. **The BRC and its members welcome the opportunity to input to the House of Lords Environment and Climate Change Committee's inquiry looking into behaviour change in the context of climate change and the environment.**

### **BRC CLIMATE ACTION ROADMAP**

3. The climate emergency is one of the most pervasive and threatening challenges of our time, both for society and the economy that serves it. Retailers know without urgent action to shift from our current path we will face devastating consequences, with implications for where we live, how we work, how we grow food, what we consume and how we provide services vital to well-being.
4. As the UK's largest private sector employer, with a customer base of 67 million people, the retail industry has a key role to play to help the UK decarbonise. We are the best placed economic sector to both lead change in global supply chains and deliver a major reduction in the carbon footprint of every UK household; the products bought in our stores are equivalent to almost a third of typical UK household emissions.
5. Our industry has been galvanised by the challenge of climate change and has come together through the BRC to develop a roadmap to practically deliver net zero. A comprehensive approach tackling directly our role in supply chains, how we decarbonise our deliveries and stores and help customers make better choices.
6. The [Climate Action Roadmap](#), launched in November 2020, is designed to guide British retail along the steps necessary to achieve a Net Zero UK, ahead of the Government's 2050 target. Eighty retailers have committed to work together with other retailers, suppliers, government, and other stakeholders, to collectively bring the UK retail industry's greenhouse gas emissions to net zero by 2040.

7. Beneath this headline target, the industry will move faster to meet net zero targets by:
  - 2030 - for retailers' electricity use ('Scope 2' emissions)
  - 2035 - for fuel, gas and refrigerant use by 2035 ('Scope 1' emissions)
  - 2040 - for all products sold in the UK ('Scope 3' emissions)
8. The Climate Action Roadmap describes how the retail industry can decarbonise through action in five key pathways, **Pathway 5 is specifically dedicated to helping customers and employees to live low carbon lifestyles**. Retailers understand that unless they embark customers with them on the journey to decarbonise the economy, achieving net-zero will be daunting.
9. As customers start to respond to the climate emergency, shopping preferences and needs are changing. Retailers know that customers are paying more attention to environmental impacts, demanding more transparency, making lifestyle changes, and are rapidly evolving their offers to respond to these trends.
10. Recent customer insights show that:
  - Two thirds of customers say they are willing to pay more for goods from organisations that demonstrate they are planet friendly<sup>1</sup>
  - 72% of UK consumers consider sustainability when buying fresh fruit and vegetables<sup>2</sup>
  - Over 70% of customers consider the environmental impacts of their choice of food and grocery retailers and products, while more than 64% consider environmental impacts in their choice of clothing and footwear retailers and products<sup>3</sup>
  - 79% of customers are changing their preferences based on the social responsibility, inclusiveness or environmental impact of their purchases<sup>4</sup>
  - Consumers expectations around sustainability vary significantly by age, product category and sector<sup>5</sup>
11. **Consumer choice is key in driving sustainable changes in the market, including innovation and influencing global supply chains**. However, consumers are not a homogenous group: we know there is a growing interest in climate change and the products we buy but it isn't universal. As well as different approaches to choose there are also barriers to change. Consumers will change to lower carbon products, but they want the same choice, quality and affordability they currently enjoy.
12. Evidently, consumers play a key part in our Climate Action Roadmap. When we considered the design and delivery of the roadmap, we knew that consumers would be a pivotal element which is why we have set up a dedicated section/pathway of it to focus on consumers alongside data, buildings and energy, logistics and responsible sourcing. Only by investing in all those pathways will we achieve our ambition and helping consumers make better decisions and providing them with decarbonised products are at the heart of our Roadmap.

## ROLE OF THE RETAIL INDUSTRY AND AREAS OF FOCUS

13. The retail industry shapes the choices available to customers and is sophisticated in its communication with and influence on customers. BRC's Climate Action Roadmap (Pathway 5) has identified the key areas where retailers can influence its customers and employees: climate understanding and visibility, diets, circular resources and waste, customer transport and energy use in the home.

14. The prioritisation and relevance of specific actions outline below will vary considerably between retailers, based on the products and services they provide, their ability to influence, and the work they have already completed.
15. **Retailers are playing a central role in helping people make the transition to low carbon lifestyles by:**
  - Helping customers make low carbon choices: providing climate guidance, providing climate information at the point of sale, offering low carbon and net zero products, providing guidance on product use and wider resources consumption (energy, water)
  - Enabling healthy and sustainable diets: broadening choice of products available, innovating food and non-food products, guiding choices through informative labels and substantiated environmental claims
  - Shifting to a circular economy: extending product life, preventing waste and promoting recycling, investing in resource efficient product design, unlocking new offerings like reuse and refill systems, designing for circularity, reducing reliance on raw material and promoting recycled content, exploring new 'service' focused business models (ex: rental)
  - Tackling waste: acting to prevent and reduce food waste in their own operations and supporting customer with clear food date labelling and storage advice, as well as redistribution opportunities
  - Electrifying customer travel: Supporting installation of electric vehicle charging points, where space and parking area constraints allow, locating new stores at charging stations, to enhance EV drivers' experience
  - Engaging on climate change: providing information and training, incentivising and supporting employee-driven initiatives, facilitating low carbon employee travel, inspiring change
16. From a long-term perspective, the retail industry will be essential in supporting and enabling the shift in lifestyles by providing circular and net zero products and services, and by ensuring that customers have the information they need to make informed choices. Equally, retail employees will need to be trained and ready to make changes to workplace practices, customers will need to have made transformations in the way in which they use products and services, and these changes will need to be supported by the rapid decarbonisation of the UK energy system.
17. To support long term progress, retailers will be looking at:
  - Investing in systems to inform customers of product impacts and potential product switches that will reduce impacts.
  - Coordinating approaches to bring consistent information to customers on climate impacts at point of sale and point of use. This might include developing appropriate carbon labels.
  - Coordinating UK wide information campaigns to help customers make the lifestyle shifts necessary to move to net zero.
  - Supporting alignment and convergence in recycling infrastructure and practices in the UK. In particular, ensure that there is provision for recovery of food waste.
  - Supporting the development of circular infrastructure in the UK including for the production of circular feedstocks and material collection, repair, dismantling and recycling infrastructure.
  - Pursuing innovation opportunities in sustainable food, including in sustainable proteins and novel ingredients including fermentation products.

## LATEST INDUSTRY WORK

18. BRC's members have highlighted the particular need for coordination and industry-level support to enable the shift to low carbon lifestyles. With this in mind, the BRC has partnered with PwC to lay the foundations of Pathway 5, by producing a [Practical Guide for Retailers](#) in helping

**customers live low-carbon lifestyles.** The document is designed for retailers, to help them understand their customers, why customers might – or might not – change their behaviours, what retailers can do to encourage such change and how they can implement those changes.

19. To drive low-carbon customer behaviour, **two key factors are important.** The first is consumers' levels of awareness and caring about climate change (their climate 'consciousness'). The second is the barriers that can prevent them from acting on low-carbon intentions.
20. Four key questions were explored in our guide with the aim to encourage low-carbon choice at every stage of the customer journey: when retailers first engage with consumers, when they buy, when consumer use the products and services, and when their purchases reach end of life.
  - Who are the different types of customers when it comes to living a low-carbon lifestyle? From low-carbon opportunists to low-carbon hopefuls to net-zero heroes and non-ecos.
  - What are the best practices for changing customer behaviour?
  - Why would customers change their behaviours...or why not?
  - How can organisations build internal capacity to implement these best practices?
21. **Our report highlighted that behavioural change always comes down to a combination of three factors:**
  - Factor 1: the WILL – How much customers care
  - Factor 2: the SKILL - How much customers understand what they need to do
  - Factor 3: the OPPORTUNITY- Customers' ability to act on positive intentions
22. Retailers' individual and/or collective actions have the potential to influence consumers beliefs and purchase choices as high prices, confusion around product quality and a lack of trust in the sustainability credentials of goods are barriers to purchase.
23. It is worth highlighting that at consumers translate their sustainability choices into a series of small actions and larger lifestyle choices. However, competing priorities like price and convenience are introduced, sustainable behaviours often do not feature in the eventual outcomes on a larger scale.<sup>1</sup>
24. **The BRC, in collaboration with PwC, will build on this work in 2022,** including implementing customer engagement programs as well as developing consistent and targeted messaging for consumers. The goal is to further support consumers at the lower end of the carbon adoption curve to live a low carbon lifestyle.

## OUR RECOMMENDATIONS TO GOVERNMENT

### 1. Support public information on climate to drive adoption of low carbon products and lifestyles

The retail industry communicates effectively with customers and can support customers to understand the carbon impact of their decisions. Influencing behaviour change at the scale necessary to shift to lower carbon lifestyles requires consistent, UK-wide behaviour change support including campaigns reaching homes, classrooms and all media. The retail industry asks the Government to **support national customer campaigns to drive behaviours and the adoption of low carbon products and lifestyles.** Government should set clear expectations for climate communication to customers including on point-of-sale climate information.

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<sup>1</sup> BRC/EY Future Consumer Index [report](#) 2021, p.7

## **2. Promote and encourage consumers towards environmentally beneficially change by cutting VAT on green products and services**

To make the circular economy a reality in the UK, retailers are exploring new commercial opportunities and business models that should be fiscally encouraged by the Government. Some European countries are attempting to **incentivise repair** through other forms of tax reductions such as Sweden where 50% of labour costs in repair are tax deductible and in Austria where labour costs of repair may become reimbursable.<sup>2</sup>

In the UK, VAT reduction on repair services, including the sale of refurbished products, is yet to be considered despite the EAC's recommendations to Government to encourage repairability through reducing VAT charged on the repair of electrical and electronic products.<sup>3</sup> Although the Government rejected this recommendation<sup>4</sup>, we strongly believe that there are merits in reviewing this position as the VAT would have already been paid on first sale. It seems to be unfair to have the VAT being charged again on the second sale of refurbished and/or repaired products.

Similarly for the sales of second-hand goods, currently in the UK, donated items that are re-sold are VAT exempt only if sold by a registered charity or by a person (or company) who has agreed in writing to give all profits to a charity. This means that any organisation that is not a charity (either registered or exempt) has to charge VAT at the prevailing rate on all donated items.

We believe that if VAT was zero or reduced in all these cases (products and services) then it would become more of an incentive for the customer to uptake these products and services, to increase the longevity of products and to reduce disposal. Any product or service which is supporting the circular economy should be incentivised in this way through VAT reductions encouraging the uptake from consumers and growing the green economy sector.

## **3. Adopt a coordinated approach on future labelling changes to ensure that consumers understand what is behind their low carbon purchasing decision**

We believe more can be done to help and one of those is labelling. We invite the **Government to actively engage and work with the retail industry on future labelling changes**. Environmental scoring is not a novelty but it can be complex, particularly when there is a need to balance messages on a variety of issues to help customers make an easy and quick choice.

Firstly, we recommend that before embarking on any labelling proposals on sustainability or carbon, the Government should carefully consider with retailers and brands what should be covered by any label and how it is delivered. The temptation for Government is often to move to labelling quickly as an intervention but this is a very complex problem, and there needs to be an industry-wide agreement on what a label covers, in terms of production, and how it can be delivered which needs careful consideration. Secondly, and more generally as far as labelling is concerned, both the space on labels should be prioritised and the consumers' attention span (which is finite); by considering that we can prioritise labelling required by regulation to effectively target messages for consumers.

## **4. Make the UK a global leader in food innovation, driving development of low carbon products**

There is potential for significant innovation to support decarbonisation of food products. There are commercial imperatives for retailers to innovate in food products – enhancing their offerings and responding to customer needs. Delivering breakthrough innovations to the UK market and the scaling

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<sup>2</sup> Source: [https://www.rreuse.org/wp-content/uploads/RREUSE-position-on-VAT-2017-Final-website\\_1.pdf](https://www.rreuse.org/wp-content/uploads/RREUSE-position-on-VAT-2017-Final-website_1.pdf)

<sup>3</sup> House of Commons, EAC Committee, Electronic waste and the Circular Economy, First report of session 2019-21, source: <https://committees.parliament.uk/publications/3675/documents/35777/default/>

<sup>4</sup> Source: <https://committees.parliament.uk/publications/4840/documents/48587/default/>

of new innovations requires strengthening of the food innovation ecosystem in the UK. To succeed in this area the retail, food and agricultural industries require governments to create and support research, development and commercialisation of approaches to decarbonise food, including plant-based meat analogues, blended products, and novel proteins and fermented foods, under a coherent nation-wide Food Strategy.

Enabling delivery and growth of novel foods requires an enabling regulatory environment. The retail industry asks the Government to explore opportunities to remove barriers to entry of novel foods while maintaining food safety and quality standards.

#### **5. Adopt a coherent and coordinated cross-Government approach**

Acting on behavioural change will entail a strategic cross-department approach from the Government. Any measures that the Government will be exploring should be carefully sequenced and coordinated as well as based on solid science-based evidence with sufficient consultation. In many instances, behavioural change measures/policies are already happening, spanning across several departments and agencies. This is already the case for example in relation to misleading environmental claims or recycled content.

Delivering consumer-facing solutions like a deposit return scheme to reduce litter requires a smart policy design that is environmentally and operationally cost-efficient whilst easy for the consumers to engage with. Any monies raised, including from unredeemed deposits, should be ring-fenced in making the scheme better, continuously improving the consumer experience, material capture, and recycling rated rather than facing discretionary and counterintuitive decision by the Treasury (ex: recent HM Treasury's decision on VAT applicability on unredeemed DRS deposits).