

Business Strategy for Decarbonisation 2025

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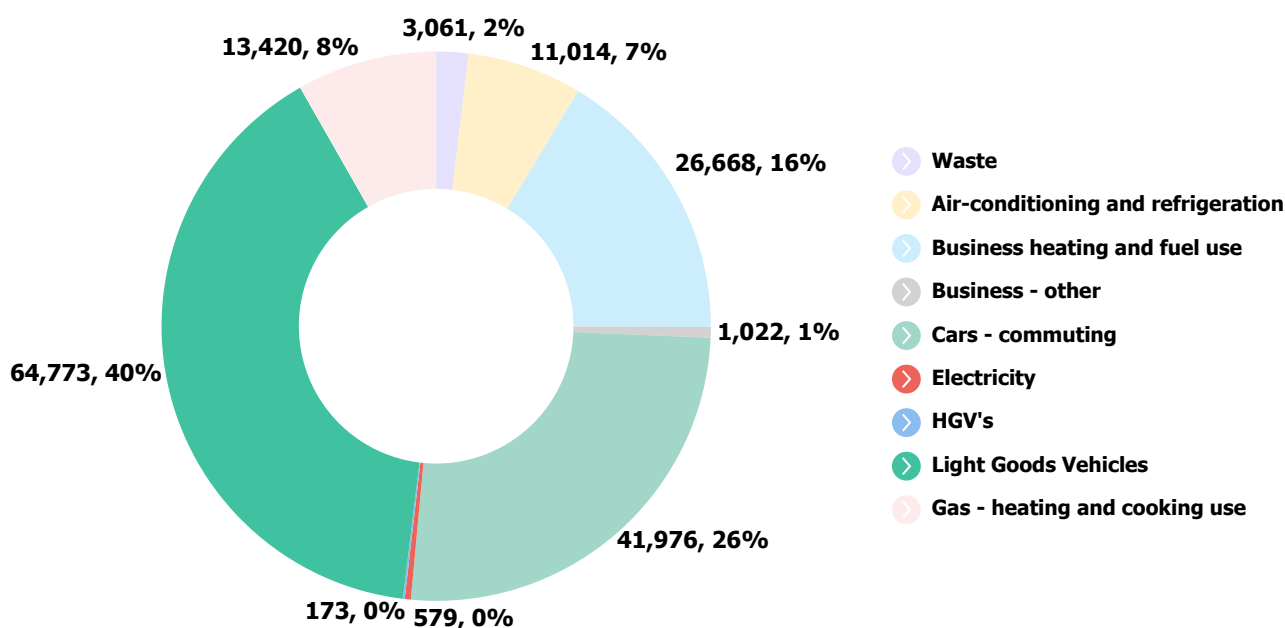
Introduction

The Isle of Man Climate Change Plan 2022-2027 ("CCP") includes a deliverable to reduce greenhouse gas ("GHG") emissions from the business sector by 15% by 2027 (using a baseline year of 2018) which supports the achievement of a 35% reduction in net emissions by 2030, a 45% reduction in net emissions by 2035 and net zero greenhouse gas emissions by 2050.

The business sector emissions shown in the CCP uses data from the Island's GHG inventory and comprises only emissions from air-conditioning, refrigeration and sundry other sources. Business heating and fuel use is analysed separately under buildings sector emissions. Collectively, these amounts separately identified as relating to business activity contribute to just under 7% of the Island's total net emissions*. However, it does not include a wide range of emissions over which local businesses have significant impact and influence. Commercial electricity use, transport and waste, for example, are omitted. When they are included, the total emissions attributable to business activity is estimated at just under 30% of the Island's total net emissions*. This excludes any emissions occurring overseas as a consequence of business activity on the Island, for example emissions embedded in off-Island supply chains and the provision of services, for example financing, to activities off-Island which produce emissions, for example fossil fuel extraction.

* Using the figures from the Isle of Man GHG inventory, 2023.

2023 Emissions attributable to business activity (Tonnes CO₂e p.a.)



Calculations based on Isle of Man GHG Inventory, 2023.

Businesses typically do not approach reducing their emissions from a perspective of national inventory emission categories, but, rather, seek to reduce their overall footprint. It is an approach which makes sense for businesses and which government strategy should support. We cannot hope to reach our national emissions reduction targets if we overlook the opportunities for cross-sectoral business-driven reductions and it makes sense to approach business emissions holistically.

It is also in the Island's economic interests for businesses to be supported on their pathways to net zero to enable them to thrive in an economic environment which, internationally, is experiencing significant developments through legislative changes in climate and nature reporting and the imposition of carbon border taxes. This strategy document sets out the vision, strategic aims and principles of our Business Strategy for Decarbonisation.

Vision

To support and enable local businesses and the labour force in delivering a just transition to a low carbon economy in which sustainability underpins business activity and to transition in a way that enables all businesses, irrespective of sector and size, to have access to the opportunities afforded by this transition.

Strategic Aims

- To maximise reductions in the business area emissions by 2027* and, where measurable, to maximise the reduction in emissions over which local businesses have impact and influence (using a baseline year of 2018). *Per the Isle of Man GHG inventory, 2023, the reduction in business area emissions stands at 18.9%, compared with 2027 sectoral target of 15%.
- To provide support to low emission, sustainable delivery of Our Island Plan and the Isle of Man Economic Strategy.
- To ensure that the transition to a decarbonised economy is undertaken in a fair and equitable way.
- To support local businesses in their decarbonisation journey.
- To maximise the ability of businesses to benefit from decarbonisation.
- To ensure a just transition; creating decent work opportunities and leaving no-one behind.

The current situation

Whilst the Island has a statutory commitment under the Climate Change Act 2021 to achieve a position where carbon emissions equal removals ("net zero") by 2050, there are currently no Isle of Man Government imposed requirements upon businesses to take steps to decarbonise their business activities. There are reasons for businesses to do this, including a motivation to do what is right, to be able to recruit, to protect their reputation, keeping up with customer's changing expectations and remain competitive, to take advantage of recognised opportunities in decarbonising, e.g. cost savings, and to meet any internal Environmental, Social and Governance ("ESG") commitments.

ESG commitments are a major driver among the international and larger businesses located on the Island. As the regulatory landscape changes in respect of sustainability measures across the European Union ("EU") and United Kingdom ("UK"), given the Island's trading links with these jurisdictions, being able to demonstrate emission reduction plans, and the progress against these, will become another major driver for change. This is most likely to happen initially in the context of EU business customers needing to measure and evidence the embedded emissions in their supply chains (Scope 3 emissions) in order to comply with regulatory requirements for reducing their total carbon emissions.

In turn this will require suppliers in the Isle of Man to measure their emissions and make progress against reducing these. This applies not only to exporters but also to businesses supplying goods/services to exporters. To stand still will risk the loss of custom in the years ahead, particularly as carbon border taxes are imposed in the UK, EU and beyond.

A positive driver is the recognition that many employees and individual customers are becoming more aware of the sustainability credentials of businesses and their products and are making decisions taking these into account. Businesses can therefore better position themselves in the marketplace if they have embedded sustainability into their governance and operations.

The majority of the businesses on the Island are small or medium entities ("SMEs") and considerations around employee and customer preferences in respect of sustainability may not be foremost in their decision making. This may present less of a risk currently for SMEs, however, certain decarbonisation measures, for example energy efficiency measures, may produce cost savings and therefore positively affect the "bottom line." This may be the main or only driver for change for these businesses, particularly at a time of high energy prices.

An understanding of the receptiveness to, and motivations, for change are key in understanding the measures required to help incentivise or support businesses in their transition to net zero. These may vary depending on sector as well as the size of the business together with other factors such as the cultural outlook of the business and its owners.

On the measurement side, the Island's GHG Inventory uses UK and proxy data where there are gaps in the data available in the Isle of Man. As an example, under the business sector emissions reporting category, the emissions from air conditioning and refrigeration are estimated by calculating the Island's emissions as a fraction of the UK's by using population and household numbers as a proxy. Aether, the company who prepare the GHG Inventory annually, have advised that calculating these emissions using a bottom-up approach would require an involved time-series of data on the fluorinated-gases ("f-gases") blends used to fill the air conditioning units and fridges, the frequency of refills and/or assumptions on leakage rates, as well as information on any imports of f-gases.

Aether have advised that the use of air conditioning units and fridges isn't going to vary between the IOM and the UK, and that regulations/f-gas blends used in these units is also similar between the IOM and the UK, and therefore in their opinion the accuracy of the emissions calculations are sufficient for the magnitude of emissions, and that the level of additional data needed to improve these estimates outweighs the improvements in accuracy.

As mentioned previously, the emissions separately identified as relating to business activity (business heating and fuel use and air-conditioning and refrigeration) are relatively small, at just under 7% of the Island's total net emissions. These and other emissions attributable to businesses, are set out in the table below with notes on how each figure is calculated. For most of the emissions, data is readily available on-Island but, as noted, UK statistics are used for estimating emissions from commuting by private car in the absence of IOM data showing private car use by purpose.

Over time the data is being refined and, wherever possible, actual IOM data will be introduced. For example, it would be possible to calculate the proportion of miles driven by private car for journeys to work by including suitable questions in national travel surveys.

Table of emissions attributable to IOM business activity

Activity	2022 Emissions attributable to business activity (T CO ₂ e p.a.)	% of Business Total	Comments on measurements (all calculations use IOM GHG Inventory data). Unless otherwise noted, figures are IOM derived data
Air-conditioning and refrigeration	11,014	6.8%	Based on UK data using number for IOM population and households
Business heating and fuel use	26,668	16.4%	
Business - other	1,022	0.6%	
Cars - commuting	41,976	25.8%	Apply UK commuting proportion of total miles driven (at one third)
Light Goods Vehicles	579	0.4%	Assumption that all being used for business purposes
HGV's	173	0.1%	
Electricity	64,773	39.8%	Split of domestic: commercial based on historic data provided by MU
Gas - heating and cooking use	13,420	8.2%	Split of domestic: commercial based on historic data provided by IEG
Waste	3,061	1.9%	Use same proportion as electricity (as business split not available)
Business Total	162,685		
Overall Net Emissions Total	571,130		Per GHG Inventory 1990-2023 (for year 2023)
Business as a % of Total	28%		

As can be seen, the measurement of emissions, and changes from year to year, across different areas on the Island, is possible with reasonable accuracy and therefore progress against the main strategic aim, of reducing emissions by 15% by 2027, can be monitored. In establishing how reductions have been achieved, there is an opportunity to gather data at a business level through requiring businesses to submit data as a condition of support. This is an approach adopted in the changes implemented to the Business Emissions Saving Scheme in October 2024, which enable emissions data to be gathered to measure reductions and assist in the evaluation of the success of the Scheme.

Finally, it is worth recognising that the Island's GHG Inventory only accounts for on-Island emissions, it does not include emissions produced outside of the Island, which a business may need to account for in its own emissions data. In view of the global nature of the climate change problem, it is to be encouraged that businesses factor in and address indirect (supply chain) emissions produced on and off the Island. As mentioned above, these supply chain (Scope 3) emissions will be increasingly important for businesses needing to account for embedded carbon to their business customers.

Principles and Actions

➤ **Principle 1 – Provide the relevant support where and when it is most needed** – taking a sectoral approach to enable all businesses to make the necessary changes and take advantage of the opportunities of decarbonisation including those businesses with high levels of GHG emissions, for example certain manufacturing, haulage, data centre and construction companies, together with the many smaller businesses on the Island where relatively small changes could make a significant difference in cost-savings at a business level and, collectively, make a material difference to GHG emissions across the Island's business sector.

Actions:

- **Engagement** - The relevant Government Agency Business Development Manager to engage, with the support of the Climate Change Team Partner where necessary, with businesses to understand challenges and potential areas for support. Offer a streamlined and joined-up approach for businesses to most easily understand and access all the relevant support schemes.
- **Financial support** - Review the outcomes and conditions of assistance of existing Government financial support schemes, for example the Business Emissions Saving Scheme and Town and Village Regeneration Scheme, on a regular basis, and identify potential new schemes to incentivise businesses to reduce their GHG emissions by changing to low or zero carbon alternatives and improve efficiency.
- **Exchange of ideas** - Encourage the sharing of knowledge by those businesses who have successfully implemented low or zero carbon alternatives in their operations and have influenced behavioural change in their employees. Organisations such as the Institute of Directors, the Society of Trust and Estate Practitioners, the Chamber of Commerce and other private-sector forums are ways in which ideas and models of good practice can be shared. Additionally, Government should continue to highlight industry examples of positive change.
- **Infrastructure changes** - Implement changes, both those which could be achieved simply and without policy change through inter-departmental collaboration, for example changes to public transport options, and also those requiring more significant input.
- **Education and upskilling** – Provide educational forums and training for businesses to support their decarbonisation journey. Encourage businesses to undertake carbon audits, emissions reductions plans and staff training (such as Carbon Literacy Training).

Measures of success:

- Uptake in successful applications for financial support schemes with measurable outcomes in terms of emission reductions.
- Training on decarbonisation provided in 2025 by the Climate Change Transformation Team to all Agency staff responsible for engaging with businesses.
- The availability of a business decarbonisation toolkit for use in 2025 by the Government Agencies' Business Development Managers.
- Provision of at least one event by each of the Government Agencies each year which incorporates information on ways in which businesses can decarbonise their activities and the Government support which may be available.
- A national strategy in place to ensure that business requirements, particularly in respect of energy demand, can be met in a way which meets the key objectives of the Economic Strategy and Climate Change Plan.
- Measurable increase in productive forums for the exchange of knowledge around climate change initiatives.
- Number of relevant, e.g. sustainability, courses available.

➤ **Principle 2 – Utilise the power of innovation** – to enable businesses to better measure emissions data and identify efficiency savings and for entrepreneurs and businesses developing and providing innovative solutions to thrive.

Actions:

- Connecting businesses - Through the Agency teams, help to connect businesses looking to make efficiency changes with businesses with innovative solutions.
- Encourage innovation - Consider the place of an Innovation Scheme in helping to make the Island a more attractive environment in which to undertake research and development work and bring new products to market. This is in line with deliverable 5.3 of the CCP, which is “to explore the scope for schemes to encourage on-Island innovation and the associated business opportunities.”

Measures of success:

- Number of businesses employing innovative solutions to make efficiency changes.
- Decision made on the viability of an Innovation Scheme by 31 December 2025.

➤ **Principle 3 – Encourage the flow of financial capital into sustainable business activities** – through the development of a sustainable finance framework attracting inward investment to the Island and encouraging investment by businesses and individuals in low-carbon options, establishing a green taxonomy to provide clarity and transparency and regulations to encourage the adoption by businesses of Environmental, Sustainable and Governance (“ESG”) principles with potential accreditation to recognise those businesses meeting certain ESG standards.

Actions:

- Cross-departmental working - A project led by Finance Isle of Man to develop a framework for sustainable finance on the Island is underway.

Measures of success:

- Implementation of sustainable finance framework.
- Increase in numbers of green finance providers on the Island.

➤ **Principle 4 – Develop a circular economy (reduce, reuse, repair and recycle)** – to move away from a linear economy (take, make, waste), and generate increased interest in the sale of pre-owned products and repair services, leasing of certain products, upcycling of materials into new products, recycling of certain components and reducing waste.

Actions:

- Cross-departmental working - Include the implementation of circular economy principles within the sustainable finance initiatives.
- Signposting - Consider the need and options for a directory of businesses offering pre-owned sales, repairs, repurposing and recycling services on the Island.
- Messaging - Improve awareness and understanding of the term ‘circular economy’ and the underlying principles among Isle of Man businesses and consumers. Encourage a shift in consumer perceptions and behaviours towards circular economy principles.

Measures of success:

- Increase in number of new businesses offering pre-owned sales, such as clothing, homeware etc., repairs, repurposing and recycling services.
- Directory of businesses offering pre-owned sales, repairs, repurposing and recycling services on the Island.

➤ **Principle 5 – Encourage private sector investment into local nature-based schemes** – to accelerate the roll out of on-Island projects to sequester carbon, achieve biodiversity gain and create benefits for local communities by making available high integrity, science-based projects in conjunction with other interested and skilled parties, for example land users and conservation groups.

Actions:

- Complete appraisal of options - Include a review of schemes operating in the United Kingdom, discussions with project managers, accreditation schemes and potential investors.
- Implement preferred option – Ensure a framework, including regulations, to facilitate inward investment is in place by 30th June 2025.

Measures of success:

- Amount of private sector investment.
- Number of projects.
- Amount of carbon sequestered (in Tonnes CO₂e).
- Biodiversity gain through habitat data.
- Retention of ESG conscious businesses on the Island.

➤ **Principle 6 – Be ready to mandate change** – if the current approach of supporting and encouraging businesses to make changes towards net zero GHG emissions does not achieve the results we need to meet our targets.

Actions:

- Evaluate measures – Review potential measures which may require businesses to change, for example through mandatory financial reporting of climate and nature related actions and by tax policies, possibly using “polluter pays” principles.

Measures of success:

- Regulatory framework ready to implement.

➤ **Principle 7 – Openly communicate on the progress of and need for change** – to ensure that focus remains on our response to the climate crisis.

Actions:

- Ongoing communication – Government to communicate directly and through trade bodies to update on progress against targets in reducing emissions and increasing removals and to continue to educate and reiterate that we are in a climate crisis and therefore that change is required across our economy.

Measures of success:

- Regular transparent reporting.
- Provision and uptake of carbon literacy training.

➤ **Principle 8 – Use and refine the data available to measure progress** – to ensure that we can accurately pinpoint and direct efforts to areas where progress is slow.

Actions:

- Data quality – Continue to work with Aether, the consultants who calculate the Island’s national greenhouse gas inventory, to identify opportunities for the use of IOM data.
- Data gathering – New sources of data to be developed as far as possible to fill data gaps and improve the quantification of GHG emission reductions attributable to the business sector.

Measures of success:

- Increased ability to identify changes across emission areas attributable to business activities against a benchmark of 2018 reporting.

NET ZERO



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