Bfc
THE BRITISH FURNITURE CONFEDERATION
The Single Voice of the Furniture & Beds, Furnishings and Flooring Sector

Response to the Energy Security and Net Zero Committee Inquiry

1. About the British Furniture Confederation

1.1. The British Furniture Confederation (BFC) was established in 2006 and continues to act as the trusted, single voice of the UK's furniture and beds, furnishings, and flooring (FFF) sector. Together, our sector contributes £40 billion to the UK economy and supports over 230,000 jobs across over 30,000 businesses.

1.2. The BFC brings together the sector's leading FFF trade associations - the British Furniture Association (BFA), Commercial Interiors UK (CIUK), Furniture Industry Research Association (FIRA), National Bed Federation (NBF), and the UK Sustainable Flooring Alliance (UKSFA) - and works closely with The Furniture Makers' Company (FMC).

1.3. The FFF sector is particularly relevant to the Committee's consideration of SMEs. It is dominated by micro, small, and medium-sized businesses: 83% of companies have turnover below £1 million, while fewer than 500 firms have turnover exceeding £5 million.

1.4. The BFC has therefore focused its response on two questions where the experience of our sector may be most useful to the Energy Security and Net Zero Committee.

1.5. Thank you for the opportunity to contribute to this inquiry.

2. What should the Government be doing to incentivise SMEs to decarbonise?

2.1. There is considerable willingness within the FFF sector to invest in sustainability. The BFC's most recent industry survey found that 93% of respondents considered sustainability practices important. Many businesses are already taking practical action, including using eco-friendly packaging and recycling post-production waste.

2.2. More importantly, there is a strong appetite for further investment. Some 81% of businesses responding to the survey planned to invest in sustainability and circular economy practices over the following five years. Overall, 79% had plans to invest, including 46% in plant and machinery and 39% in research and development.

2.3. The challenge is therefore not simply persuading manufacturers of the case for greater sustainability. For many businesses, particularly SMEs operating on tight margins, it is finding the capital and confidence to make the necessary investment while managing significant wider, ongoing cost pressures.

2.4. The BFC's research identified high implementation costs and consumer unwillingness to pay more for sustainable products as barriers to greater adoption of circular economy practices. The survey also found considerable support for greater access to financial assistance, with 57% of respondents calling for more grants. Such assistance could support investment in areas including plant and machinery upgrades, automation and green technologies, and generating productivity improvements alongside environmental benefits.

2.5. The BFC therefore believes Government should:

- **Target support towards investment rather than simply meeting existing costs**, helping SMEs invest in more energy-efficient plants and machinery, cleaner technologies, and more sustainable materials.
- **Make support straightforward and accessible to SMEs.** Smaller manufacturers often lack the specialist personnel and resources available to larger businesses to identify and navigate complex funding schemes. One BFC member, for example, was able to secure local authority funding towards the installation of solar panels at its factory, but found the available support difficult to identify and the remaining capital cost significant. For many smaller businesses, such investment may simply be unaffordable without more accessible support.
- **Provide greater financial support for research and development**, particularly where UK SMEs are developing or adopting environmentally friendly materials and production methods.
- **Provide long-term policy certainty.** Investment decisions on machinery, manufacturing processes, and products are necessarily made over several years. Businesses need sufficient confidence in the direction and implementation of environmental policy to commit capital. Recent changes and delays illustrate the challenge: the planned extension of the UK Emissions Trading Scheme (UK ETS) to waste incineration from 2028 has been postponed, with a new timetable yet to be confirmed, while the Government's Circular Economy Growth Plan, originally expected in early 2026, remains unpublished. Businesses are also adapting to the evolving costs and requirements associated with Extended Producer Responsibility (EPR) for packaging. Greater clarity and consistency across these policies would help SMEs plan, invest, and respond to the incentives Government is seeking to create.

2.6. This reflects the BFC's view that decarbonisation and economic growth should be mutually reinforcing. Well-designed incentives can leverage private sector investment to improve energy efficiency and productivity while reducing the environmental impact of UK manufacturing.

2.7. Government should also consider the international competitiveness of British manufacturers as part of this approach. UK businesses investing to meet higher environmental standards should not find themselves placed at a competitive disadvantage against imported products manufactured to lower environmental standards. The BFC has previously warned that the additional cost of adopting more sustainable practices can undermine the competitiveness of UK manufacturers, particularly where consumers remain highly price-sensitive.

2.8. Decarbonisation policy should therefore seek to strengthen UK manufacturing rather than inadvertently displace production and associated emissions overseas.

3. Is the biggest barrier to SMEs the high cost of electricity?

3.1. The BFC recognises the Committee’s concern that high electricity prices can constrain both economic growth and the pace of industrial decarbonisation. However, our evidence does not enable us to conclude that electricity prices are, in isolation, the single biggest barrier facing SMEs in the FFF sector.

3.2. The BFC therefore believes energy costs need to be considered as part of the cumulative cost of doing business and investing in the UK.

3.3. High energy costs have an impact beyond the immediate cost of powering factories and premises. Higher operating costs also reduce the capital available to businesses to invest in machinery, energy efficiency, research and development, and cleaner production processes.

3.4. This distinction is important. Reducing the cost burden on manufacturers can create the capacity to invest, but it does not necessarily ensure that investment in decarbonisation will follow.

3.5. The BFC would therefore encourage Government to **consider energy affordability and decarbonisation incentives together.** Measures that reduce the cost of doing business should be accompanied by accessible incentives that help SMEs translate improved margins and greater confidence into investment in more efficient equipment and cleaner production.

3.6. For a sector consisting overwhelmingly of smaller businesses, **support must also be proportionate and practical.** Complex application processes, uncertain funding windows, or schemes designed principally around the needs of large energy-intensive industries risk excluding the very businesses Government is seeking to encourage to invest in the future.

4. Conclusion

4.1. The UK’s FFF sector demonstrates that there is considerable appetite among manufacturers to become more sustainable. The principal challenge is creating the economic conditions in which businesses have the confidence and financial capacity to make that critical investment.

4.2. For SMEs in particular, the BFC believes Government policy should recognise the relationship between energy affordability, investment, competitiveness, and decarbonisation. Reducing business costs, improving access to targeted capital support, and providing long-term policy certainty can help to unlock private investment in more efficient machinery, cleaner technologies, and sustainable production.

4.3. The ultimate objective should be to ensure that the transition to lower-carbon manufacturing strengthens rather than weakens the UK’s industrial base: supporting businesses to decarbonise while remaining competitive, productive, and able to grow.

5. Appendix
British Furniture Confederation’s Plan for Growth