



# Energy and natural resources sector overview



For the first time, there are no energy or water companies in the top 100 list. This reflects the very difficult backdrop of the cost-of-living crisis caused by soaring energy bills as a result of the Russia / Ukraine war. In the water sector, there have been the further high-profile problems of sewage discharges into waterways, which will have also affected public opinion.

## A difficult year for companies and consumers

With energy prices at an all-time high, a cost-of-living crisis and rows over windfall taxes, it is unsurprising that energy companies fail to make our top 100 index. For the average UK family energy costs have roughly doubled over the past two years. For water companies, considerable concern over pollution in rivers and seawater have similarly created consumer concern and negative publicity.

The treatment of vulnerable customers on pre-payment meters by some energy companies also came under the media spotlight as third-party contractors, working on behalf of major suppliers, were found, in some instances, to have shown little care and concern for customers in difficult circumstances.

Against this backdrop, customer trust in energy companies was eroded by high prices and substantial adverse publicity and scores across The Six Pillars of experience have fallen significantly, with value and integrity witnessing the largest falls.

The Government had to step in to cap energy bills with their Energy Price Guarantee. But consumer choice was eroded through this period, because the Ofgem Energy Price Cap became the default tariff for most customers, with suppliers unable to provide lower rates due to high wholesale gas prices. Overall consumer energy consumption fell by 9.5%, as households cut back in an effort to mitigate high energy prices<sup>1</sup>.

<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1165986/Energy\\_Trends\\_June\\_2023.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1165986/Energy_Trends_June_2023.pdf)

Similarly for the water industry, as more customers worked from home during and post the pandemic, they have become more connected with their local environment than ever. Initiatives such as the Citizen Scientist have encouraged customers to take an active interest in the natural world around them. The rapid growth in wild water swimming has made people ever more conscious of water quality.

Water companies discharged raw sewage into rivers and seas via their storm overflows more than 300,000 times in the last year, resulting in large fines<sup>2</sup>. Images of raw sewerage coming out of pipes into rivers and near beaches have been widespread. An aging infrastructure and concern over company debt levels means this is an industry under considerable scrutiny, which will have affected consumer sentiment.

## Good news in sustainability and company responses to issues

However, more positively, energy companies continue to drive sustainability. In the first quarter of 2023 renewable generation reached a record share of 47.8 per cent of total generation, up from 5.8 per cent in the same quarter of 2010. Renewable generation was boosted with a new offshore wind record of 19.2 per cent, up from 0.6 per cent in the same quarter of 2010. This meant a 51% reduction in coal fired energy generation - a significant result<sup>3</sup>.

Energy companies have taken significant steps to protect vulnerable customers and ensure they are treated with care. 14 companies have signed up to the trade body Energy UK's Priority Services Register (PSR) – a register of vulnerable customers and code of conduct.

## The water industry is responding to pollution issues with a significant planned investment in infrastructure<sup>4</sup>:



£10 billion – more than triple current levels – ready to be invested in a new National Overflows Plan, enabling the biggest modernisation of sewers since the Victorian era, and the most ambitious programme on sewage spills in the world.



A new Environmental hub, launching next year, will for the first time give everyone near real-time information on overflows, as well as the state of rivers and coastal waters.



Companies will also support up to 100 communities to create new protected waters for swimming and recreation.

<sup>2</sup> <https://www.theguardian.com/environment/2023/jul/04/thames-water-fined-33m-for-pumping-sewage-into-rivers>

<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1165982/Energy\\_Trends\\_June\\_2023.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1165982/Energy_Trends_June_2023.pdf)

<sup>4</sup> <https://www.water.org.uk/news-views-publications/news/water-and-sewage-companies-england-apologise-sewage-spills-and-launch>

However, even with these initiatives, winning back consumer trust will be a difficult task for the energy and natural resources sector over the next 12 months. Personalised service, differentiated experiences and the focus on customer centricity have been overshadowed by macro events over the last 12 months – but with wholesale prices now falling these will once again have to be front and centre of companies’ plans.



“Energy price hikes and the cost-of-living crisis have dominated consumer concerns over the past year. In addition, in the water sector, there has also been a backlash against the discharge of raw sewerage into waterways. As a result, no energy or water companies have made the top 100 list this year.”

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