Net Zero Review: Call for Evidence

Overarching Questions

1. How does net zero enable us to meet our economic growth target of 2.5% a year?

The HealthTech industry, which incorporates medical devices, digital health and diagnostics, is the UK's largest employer within the broader life sciences industry. It boasts particular strengths in innovation and manufacturing. Given the right conditions and support from government, the industry is also an attractive export opportunity, and particularly given the global reputation of the NHS, and the UK's ambition to reach net zero. However, UK businesses need to be supported in order to grow. By creating the right environment, global organisations selling into the UK and the NHS abiding by net zero targets, could lead to greater employment, which would be beneficial to both the health and wealth of our country.

2. What challenges and obstacles have you identified to decarbonization?

There are several challenges. One of the biggest barriers is cost. Some examples are the cost of installing electric chargers for staff (one of our SME members was quoted £80,000) or the cost of regulating and re-regulating a medical device – which takes a lot of time and is a considerable barrier to organisations (particularly in an SME heavy industry) making amendments to their products to reduce waste or their CO_2 emissions. Further to these, there are costs associated with changing the product itself. There are costs for the research and development for new product designs, costs for novel material development to replace current plastics and costs for developing a new innovative product that could change the patient pathway. Funding is a primary barrier to decarbonisation.

A further considerable challenge to decarbonising is the lack of regulation and scrutiny surrounding cheap imports, with the government appearing to have an inconsistent approach. Vying for organisations to be sustainable and reduce their carbon footprint, but being unwilling to pay the increased cost that comes with this. There is also the issue of a harmonised approach for a global company; it is hard to align your timelines and plans when the goalposts are constantly moving and you have to take different countries approaches into consideration. Even between the devolved nations, these differences can increase the difficulty of meeting any nations targets. Alignment and consistency in asks is vital.

The HealthTech sector is facing an incredibly difficult landscape at the moment. Still facing uncertainty and difficulty with Brexit and the move from CE marking to UKCA marking, regulation is a major concern for organisations who simply do not have enough resources to cover the adversities they are facing. With the energy crisis, tumultuous economic environment and Russia and Ukraine war, businesses are struggling to keep the doors open. There is a willingness and want to decarbonise, but a pragmatic inability.

Other factors acting as obstacles are agreeing on how to measure decarbonisation in healthcare, whether it is the carbon footprint of the product, the products lifecycle or its impact on the patient pathway, trying to understand the unintended consequences of seemingly beneficial policy change and considering the time lag between suggesting a change to a product and being able to launch the new configuration on the market, especially in the HealthTech industry which is highly regulated.

The challenges and obstacles for the HealthTech sector are complex and interconnected, but many can be overcome with government aid and intervention.

3. **What opportunities are there for new/amended measures to stimulate or facilitate the transition to net zero in a way that is pro-growth and/or pro-business?**

The authorities should be encouraging the HealthTech industry to transition to net zero, whilst still considering the difficulties aforementioned. Some of the measures that could create a healthier transition would be a clear grace period between one phase and another (giving a realistic time originally, rather than extending deadlines), government supported research and development initiatives, utilising industry to transition through economic and tax-related stimuli and increase level and scope of public consultations prior to implementation.

Further to the last point, there needs to be a more collaborative approach to procurement. The weighting in tenders needs to truly favour greener products and services, rather than having criteria about green credentials that can be overcome by a supplier with a very low cost product that has very poor green credentials.

4. **What more could government do to support businesses, consumers and other actors to decarbonize?**

Government can play a key role in signposting best practice and leading cross-sector initiatives for industries facing similar problems e.g. waste management systems, particularly in public procurement. The sharing of concrete and tangible outcomes by government to show where sectors have successfully found means to work together to decarbonise, especially where excessive spending has not been utilised, would facilitate change at a greater scale and speed. A forum should be introduced for green innovation as well as public opinion campaigns encouraging 'green lending,' to exhibit and encourage the ability to move forward with the net zero agenda.

Perhaps most importantly, the government needs to have a consistent approach to buying goods and services from the public and private sectors. Many organisations have heavily invested in shortening their supply chains and investing further in Britain which has increased costs and reduced profitability, but are competing against cheaper imports and losing out as government departments are still buying based on price. Consistency and integrity when buying is key.

5. **Where and in what areas of policy focus could net zero be achieved in a more economically efficient manner?**

A particular concern for our industry is the plastic packaging tax, which is acting as an unnecessary tax burden for medical devices. The pharmaceutical industry is exempt from this tax, due to regulatory and sterility reasons, but the HealthTech industry is not, despite having the same considerations. Due to regulation, many organisations cannot used recycled plastic in their packaging. It is does not work as a deterrent, only an unavoidable cost in our industry, and uses vital funding and resources that could otherwise be better spent on innovation and research.

A further idea is that companies who produce products and services that are bought through public services in the UK should have access to the government procured renewable energy prices. This will not only reduce the cost to the supplier, but also to the NHS.

6. **How do we balance our priorities to maintaining energy security with our commitments to delivering net zero by 2050?**

Energy security is incredibly important, especially in a healthcare setting where blackouts could result in lives lost, but this also emphasises why renewable energy is so important. The industry and NHS should focus on how to reduce their emissions and the areas they can control, but the government should focus on centralised means that combat both the energy crisis and the climate emergency. An unintended consequence of the HealthTech sector moving towards a more circular economy may be an increased need for power and capacity for sterilisation processes, as some products move towards reusability, exemplifying the need for both green and secure energy.

7. What export opportunities does the transition to net zero present for the UK economy or UK businesses?

The HealthTech industry is strong in terms of its innovation and British manufacturing, and is a real asset to the UK economy. With industry having to follow the NHS Sustainable Supplier Roadmap, organisations are already excelling in their field, and the world is looking to the UK in how the NHS and supplier organisations are working together. Supporting British manufacturing is an excellent export opportunity.

10. Looking at the international market in your sector, what green opportunities seem to be nascent or growing?

As mentioned, the UK and the NHS are ahead of the game in terms of the net zero agenda within the healthcare setting. It is an excellent export opportunity due to UK products being likely compliant internationally and allow better market access opportunities globally.

11. What challenges has the net zero transition presented to your business?

Businesses within our membership have relayed to us some of the challenges they have faced, such as the continuing battle between cost and profitability while still delivering continued investment in net zero infrastructure. The need to deploy additional resources needs to be considered, both externally and internally, which requires time and funding businesses may not have. Not only is it the cost of delivering change, but also the measuring, documenting and reporting of the change that is resource intensive, especially when organisations will need to begin measuring their carbon footprint at a product level.

29. How can we ensure that we seize the benefits from future innovation and technologies?

There needs to be support from government, especially in funding and creating clear pathways for innovations to be bought by the market, which in the case of the UK is the NHS. Organisations needs to know that their R&D and the resulting innovative solutions will be valued and procured by the NHS, and government need to play a role in supporting this through funding and initiatives.

30. Is there a policy idea that will help us reach net zero you think we should consider as part of the review?

A major way the government can help is reducing the regulatory burden (whilst not compromising patient safety) in the move away from the CE mark to the UKCA mark. Other than this there should be increased funding and grants accessible to the sector and support of organisations which are uniting different stakeholders in the sector, such as the Academic Health Science Networks.