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BSI Net Zero Barometer 2026:

Manufacturing

The existential cost challenge

Sector perspectives on progress,
priorities and trade-offs across the
UK economy.



Navigating global competitive headwinds, retooling for lean efficiency, and the supply chain compliance mandate

Introduction

The UK manufacturing sector is where commitment to net zero meets its hardest commercial test.

With some of the most expensive industrial electricity costs in the world, energy is an existential pressure rather than simply a line on a budget.

It shows in the results of this year's survey. Most firms say maintaining net zero momentum is vital, but for the vast majority, this is adding pressure to already razor thin margins.

Where decarbonization is happening, it's being driven by operational efficiency. However, executing the changes required is far from simple.

Measuring and reporting emissions remains highly complex, and many manufacturers lack the internal expertise.

Despite the clear and obvious challenges, it's heartening to see that the majority of firms surveyed plan to increase their net zero investments over the next 12 months.

But with a disproportionately high percentage looking for external support, it's clear they need more help to do so.



Ben Sheridan
High Value Manufacturing
Sector Lead, BSI

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We could easily achieve net zero in the UK by simply exporting all of our heavy industry to the Far East. But that is de-industrialization, not a transition. If we want a genuine low-carbon economy, we have to make it commercially viable to make things here.

This report draws on research conducted for the 2026 BSI Net Zero Barometer, providing a sector-specific analysis of the opportunities, challenges and priorities facing UK manufacturing on the path to net zero. A full report covering and comparing in detail multiple sectors and their progress to net zero is available [here](#).



Sector snapshot: Where are we now?

The UK manufacturing sector faces intense economic headwinds, primarily driven by industrial electricity prices, undermining competitiveness. Currently, these are up to four times higher than in the US, three times higher than in China and between 25-50% higher than the EU average.

For many heavy manufacturers, extreme energy prices pose an existential threat. So, survival and maintaining global competitiveness are the immediate near-term priorities, eclipsing net zero ambitions. Certain highly energy-intensive processes (e.g., steel and aluminium production) are seeing offshoring to regions with cheaper power.

However, for those manufacturers still actively pursuing net zero, the focus is squarely on long-term resilience and operational efficiency. Environmental actions like on-site solar panels are being made to diversify supply and manage overall operational costs. Beyond direct efficiency savings, the other major driver for decarbonization is supply chain compliance. Manufacturers are investing in net zero to ensure they meet the rigorous procurement requirements to win contracts and retain their place on supplier listings.



The data picture



Manufacturing businesses surveyed



Average across all sectors surveyed

78%

80%

50%

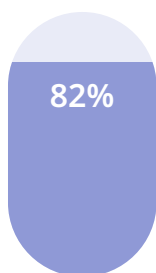
The momentum vs. cost collision

78% of firms agree it's vital to maintain net zero momentum. This intent clashes with financial reality. **80%** state that the general cost of doing business is already too high to absorb net zero costs. Only **50%** believe deep decarbonization is achievable without a disproportionate financial impact on their business.

54%
46%

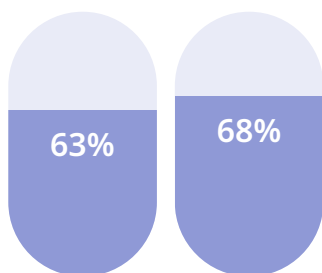
Leaning forward on investment

Despite these economic headwinds, manufacturing firms are actively committing capital rather than scaling back. Over half of firms surveyed (**54%**) expect to increase their net zero investments over the next 12 months (outstripping the level of **46%** expressed across all sectors together). Only **14%** expect to decrease funding.



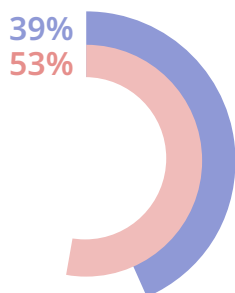
Disproportionate industry strain

The operational friction of making this transition under current conditions is severe. **82%** of firms surveyed report that reaching net zero is adding noticeable pressure to their industry's turnover and profit margins.



The pathway and clarity gap

High investment intent is outpacing practical readiness. **63%** of manufacturers are confident they will eventually hit their net zero timelines. However, just **68%** fully understand the specific actions required.



Reputation takes a backseat

For those implementing green initiatives, commercial reality trumps public relations. Only **39%** of those surveyed have altered their sustainability communications due to greenwashing fears – below the total level of **53%**. This suggests decarbonization is being driven by operational efficiency and supply chain compliance, not brand reputation.



Key barriers & pressures

- ! **High energy costs:** Because renewable grid integration requires vast infrastructure upgrades (like battery storage and rotational inertia systems), system costs are rising. It makes the UK an uncompetitive landscape for energy-intensive manufacturing, slowing inward investment.
- ! **The ROI deficit:** Implementing carbon-reduction technologies increases short-term operational costs for manufacturers. In a hyper-competitive global market, investments without a clear, immediate financial return are a hard sell.
- ! **Reporting complexity:** Accurate carbon emissions reporting is fiercely difficult. Many small and medium manufacturers lack the internal expertise to execute precise measurement, resulting in highly uncertain data and scepticism towards the process.
- ! **Political uncertainty:** Because decarbonization requires long-term, capital-intensive investments, political instability is a major brake on progress. 53% of firms would consider abandoning net zero pursuits if that persists.

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Faced with these extreme energy pressures, manufacturers make a rational decision: they can either sell up, shut down, or move operations offshore. If that means survival, that is what we will see.

Ben Sheridan
High Value Manufacturing Sector Lead, BSI



Drivers and opportunities for progress

- ✓ **The appetite for support:** Despite economic headwinds, there remains a strong underlying appetite for action if the right policy levers are pulled. For manufacturing specifically, there is a disproportionately high demand for guidance on gaining net zero certification. If policymakers can make financial and practical support clearer and more accessible, manufacturers are ready to play their part.
- ✓ **Lean management:** The sector will readily adopt any initiative that demonstrably reduces electricity consumption and increases efficiency. Installing solar panels or optimizing digital processes (e.g., the Made Smarter initiative) are typical cost-reduction mechanisms.
- ✓ **Supply chain survival:** A reputation for sustainability is secondary to delivering products on time, to spec, and at the right price. Manufacturers will comply with net zero reporting and standards primarily when it is a hard requirement to remain on a customer's procurement list.



Looking ahead: The next 12-24 months

High energy prices and short-term existential pressures are likely to dampen overall net zero momentum. However, manufacturers remain willing to invest with two provisos: that they are provided with the right support; and that the transition is framed firmly through the lens of long-term operational resilience. Policymakers and industry leaders will need to heavily incentivize decarbonization or risk a loss of the manufacturing base as companies make commercial choices about offshoring.

The sector also faces a broader infrastructural challenge. Accelerating electrification, compounded by the UK's push for AI and advanced computing, is placing unprecedented demand on the grid. Without action to modernize grid capacity and lower industrial tariffs, escalating power constraints risk undermining both the UK's digital and manufacturing ambitions.



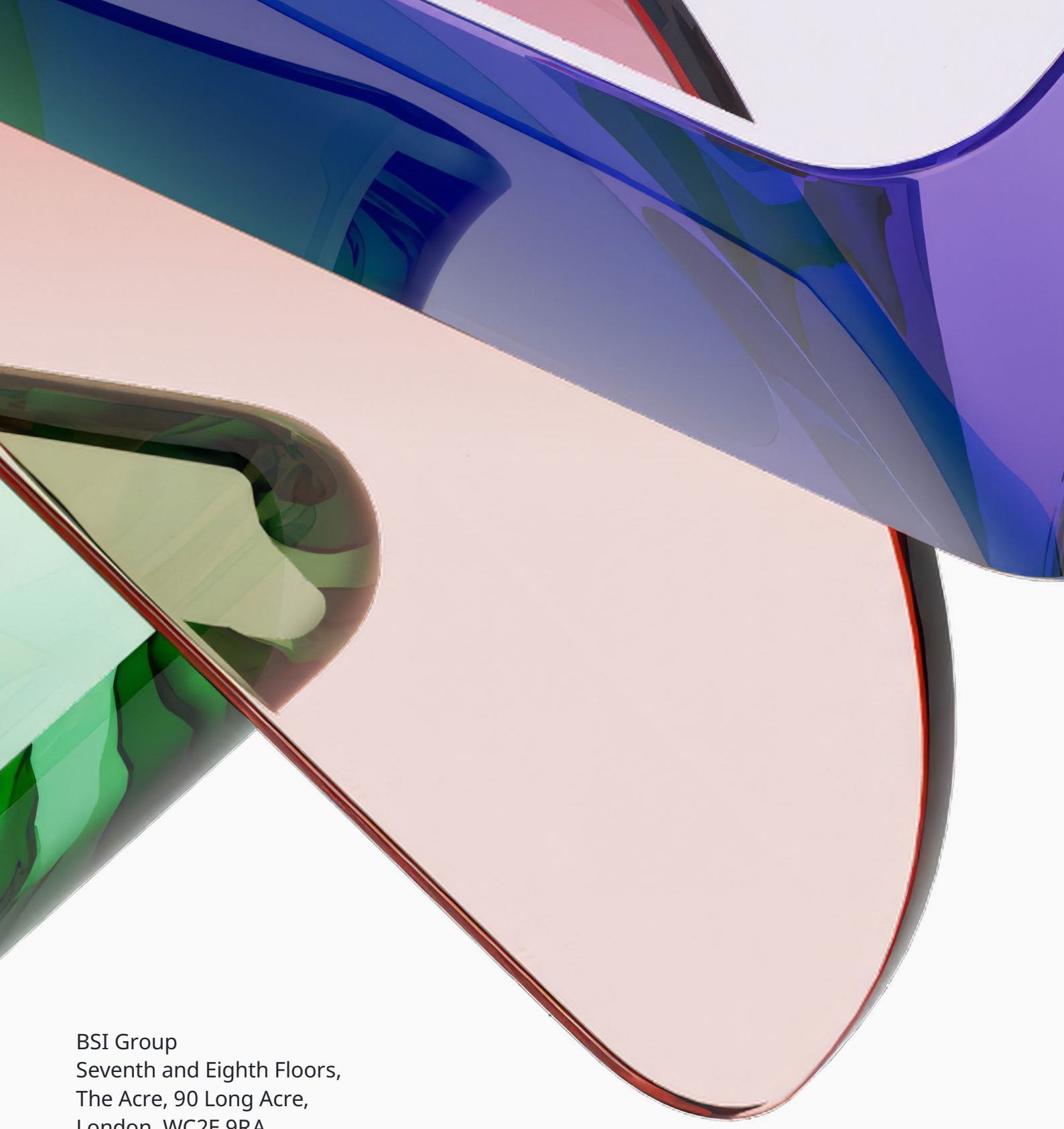
Key standards for net zero in the manufacturing sector

Search by standard title on [BSI Knowledge](#) for more details.

Stay up to date with the latest developments in manufacturing standards [here](#).

Standard	What it does
 BS EN ISO 14064-1:2019 – Greenhouse gases - Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals	This standard provides a consistent framework for organizations to measure, report and verify GHG emissions and removals, covering boundaries, calculation, data quality and progress tracking. The latest version improves how indirect value-chain emissions are captured, adding clearer categories and guidance on biogenic carbon and electricity-related emissions. Read more about the standard here .
 BS EN ISO 14067:2018 – Greenhouse gases. Carbon footprint of products. Requirements and guidelines for quantification	Establishes a consistent method for calculating and reporting the carbon footprint of products and services across their life cycle, from raw materials and production through to use and end of life. It helps organizations identify emissions and reduction opportunities, with requirements for setting boundaries, collecting data and reporting results to support consistent, transparent and reliable assessments. Read more about the standard here .
 The ISO Net Zero Standard – ISO 14060	This will be the first internationally agreed, independently verified standard for net zero transition planning. Created to help organizations move from ambition to credible action. The ISO net zero standard will provide a universal baseline for what “good looks like” when it comes to taking net zero action as an organization. It tackles the fragmented net zero governance landscape by converging global best practice in one place. The standard is based on the foundational ISO Net Zero Guidelines, which provide a common reference for understanding and planning for net zero for organizations across all sectors, sizes, and jurisdictions. Read more about the standard here .
 BS 8001:2017 – Framework for implementing the principles of the circular economy in organizations. Guide	Sets out a practical framework for organizations looking to adopt circular economy approaches and move away from the traditional “take, make, dispose” model. The standard helps organizations put circular economy principles into practice, regardless of their sector, size, location or level of experience. By encouraging more efficient use of resources and reducing waste, it can support environmental improvements while also creating opportunities for cost savings, innovation and employment. Read more about the standard here .

Standard	What it does
 BS ISO 59000 family of standards	Brings together practical guidance for different stages of the transition. It helps organizations understand circular economy principles, develop circular business models and measure their progress using consistent indicators. Designed for organizations across sectors and of all sizes, the standards create a shared language and approach to circularity. They can help reduce waste, improve resource efficiency, identify new business opportunities and support progress toward wider sustainability goals. Read more about the standard here.
 BS EN 16640:2017 – Bio-based products. Bio-based carbon content. Determination of the bio-based carbon content using the radiocarbon method	Provides a standardized method for measuring the amount of bio-based carbon in products. It helps determine how much of a product's carbon comes from biomass, such as plants or other biological materials. The method can be applied to any product containing carbon, including products made from a mix of bio-based and other materials. It gives laboratories, manufacturers, suppliers and purchasers a consistent way to test and report bio-based carbon content. Two main testing methods are specified, with a third method also described for use where appropriate. Read more about the standard here.
 BS EN 18120-6:2026 – Packaging. Design for recycling for plastic packaging - Guideline for PE and PP rigid packaging	Offers guidance on how to design rigid plastic packaging made mainly from polyethylene (PE) or polypropylene (PP) so it is compatible with collection, sorting and recycling processes. The standard helps packaging designers assess features such as the packaging format, materials and components, and how these may affect its ability to be sorted and recycled. It uses a simple compatibility approach to distinguish between packaging that is fully compatible, has limited compatibility, or is not compatible with current recycling processes. Following the guidance supports better packaging design, but does not by itself guarantee that packaging will be recyclable in practice. Read more about the standard here.
 BS EN 13432:2000 – Packaging. Requirements for packaging recoverable through composting and biodegradation. Test scheme and evaluation criteria for the final acceptance of packaging	Sets out requirements for assessing whether packaging and packaging materials are suitable for organic recovery, including composting and anaerobic treatment. The standard looks at four key areas: biodegradability, how the packaging breaks down during biological treatment, its impact on the treatment process, and the quality of the resulting compost. It provides a structured approach for testing and assessing packaging, helping organizations determine whether it meets the requirements for compostability and anaerobic treatability. It also supports claims about packaging compliance with European requirements for packaging waste. Read more about the standard here.
 Standards programmes underway for critical materials, next-generation materials	Supporting resource efficiency, materials innovation, supply-chain resilience and industrial decarbonization.



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