
Streamlined Energy and Carbon Reporting

Gary Shanahan, Head – Business and Industrial Energy Efficiency, Tax and Reporting



Clean Growth Strategy

- The Clean Growth Strategy sets an ambition to improve business productivity by enabling businesses to improve energy efficiency by at least 20 per cent by 2030.
- This means that energy use would need to fall by 20% and energy intensity by 45% in 2030 compared to 2015 levels.
- This will deliver:
 - Up to £6bn in cost savings for businesses
 - Carbon savings of up to 22 MtCO_{2e}

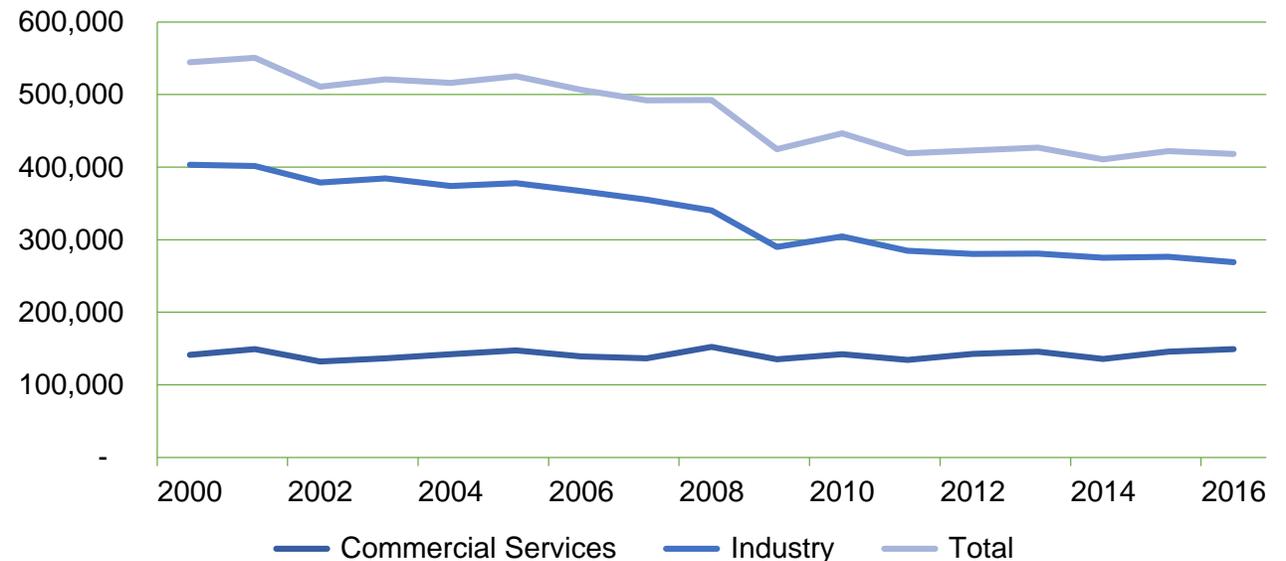


Helping businesses to improve the way they use energy

- Call for Evidence (Jul 2018) sought views on how to deliver the 20% ambition - responses due to be published later this year
- We sought views on a number of proposals and approaches to make buildings more energy efficient e.g.:
 - Improving energy efficiency requirements for new & existing buildings
 - use of more sustainable technologies, benchmarking building performance and tools to monitor and evaluate building energy use and performance.

Energy demand for businesses and industry

- Since 2000, energy use has been steadily decreasing
- Over 90% of the decrease has been delivered through increased energy efficiency in sectors like chemicals
- Energy use in the commercial sector has more or less remained flat. As floor area has increased, energy intensity has improved

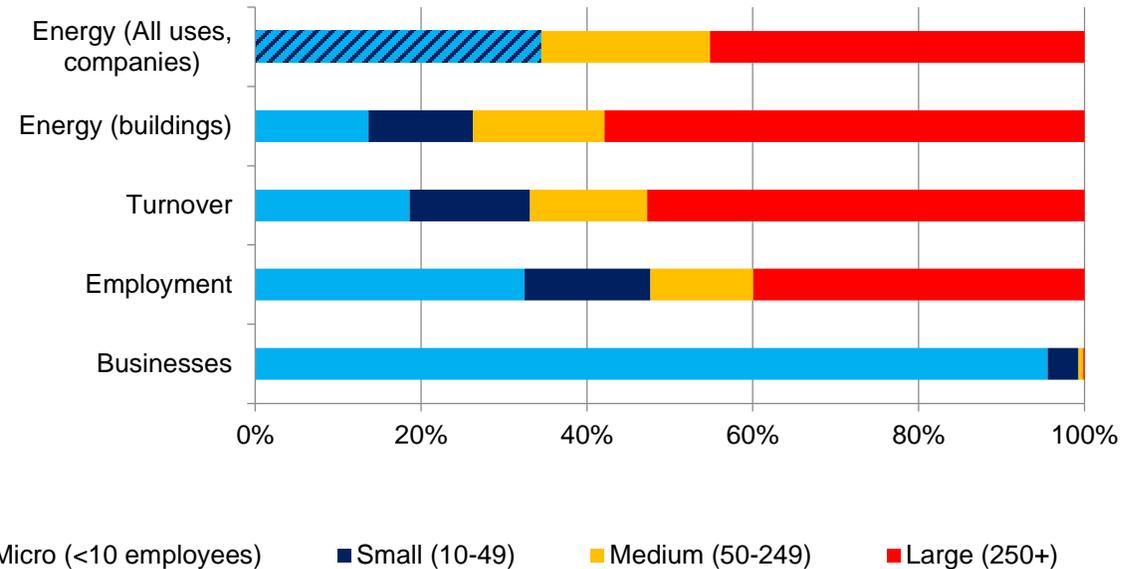


Small and medium enterprises (SMEs)

Views on availability and quality of information for SMEs?

Who are the trusted partners that could influence SMEs?

How could SMEs be encouraged to take action?



SMEs – Budget 2018 Announcement

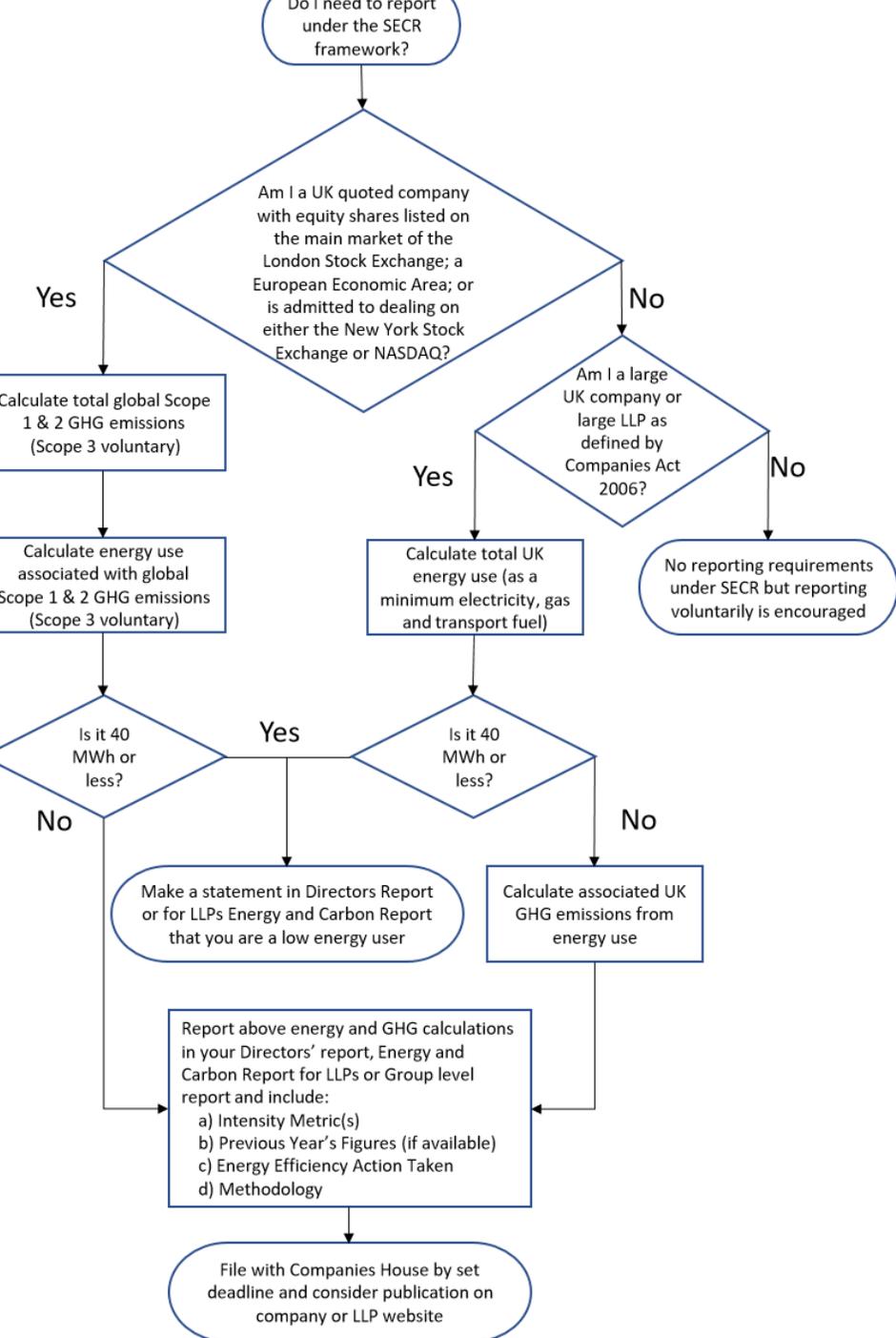
The government will issue a call for evidence on introducing a new Business Energy Efficiency Scheme, focused on smaller businesses. Over time, this scheme will reduce business energy bills and carbon emissions. The call for evidence sought views on a range of possible delivery options.

CRC/SECR

- In March 2016 Government announced that CRC would close after the end of current phase – final CRC reports would be required by July 2019 and allowances surrendered by October 2019.
- The reporting element of CRC would be replaced by a new streamlined energy and carbon reporting framework (SECR) on which we would consult;
- Public consultation on SECR was published on 12 October 2017 which ran until 4 January 2018 (over 150 responses). Government published response / decisions on 18 July 2018.

CRC/SECR

- CRC legislation laid on 18 July 2019 makes this current phase the last one and HMT have already legislated to move the price signal to CCL (with increased rates from 1 April 2019 and increased CCA discounts)
- SECR came into force on 1 April 2019. The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 were made on 6 November.
- Synergies with (unchanged) ESOS requirements for all large undertakings.



- Different approaches for:
- quoted companies – builds on existing MGHG – and doesn't just apply to large; and
- unquoted/LLPs
- Guidance published on 31 January: <https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>



Quoted companies

Continue to require **all UK incorporated quoted (not just on LSE) companies** to report in **Directors' report** on:

- **global scope 1 and scope 2 GHG emissions (scope 3 voluntary);**
- **methodology** used; and
- **intensity metric.**

SECR requires total underlying **energy use and energy efficiency action taken.**

Unquoted companies/LLPs

Require **large unquoted companies and large LLPs** to include within **Directors' report (or LLP equivalent)**:

- **UK energy use** and associated **emissions** (as a minimum)
 - UK energy use = **electricity, gas & transport** (as a minimum)
- **intensity metric** (chosen by companies), **Energy efficiency action** taken in period of report and **Methodologies used** in calculation of disclosures
- Large as per **Companies Act** – at least 2 of balance sheet (£18M+), turnover (£36M+) and employees (250+);



SECR

- Electronic reporting – can be done on **voluntary basis** but not mandatory
- Directors to confirm if any information withheld on grounds of being **seriously prejudicial** to company, **not being practical to obtain** or if organisation uses **40MWh or less energy** in reporting period
- If the relevant report is a group report, the company or LLP must make the required statements on the basis of its information and its subsidiaries



SECR verification / assurance

External verification or assurance

There is no requirement in the legislation for independent assurance; however, we would recommend it as best practice. Voluntary independent assurance on the accuracy, completeness and consistency of energy use, GHG emissions data and energy efficiency action is encouraged as beneficial to both internal decision-making and for external stakeholders.

As part of their overall responsibilities in an audit of financial statements, the auditor is required to state in the auditor's report whether, based on the work undertaken in the course of the audit, the information in the Directors' Report:

- Is consistent with the financial statements;
- Has been prepared in accordance with applicable legal requirements; and
- Contains any material mis-statements.

SECR – When?

“These Regulations have effect in respect of financial years beginning on or after 1st April 2019.” So:

- a. if a company’s financial year ran from 01/04/2019 – 31/03/2020 the first time they would need to comply with SECR would be in their first set of accounts published following this period in 2020
- b. If a company’s financial year ran from 01/01/2019 – 31/12/2019, they would need to comply for the period 01/01/2020 – 31/12/2020

Will still be reporting under MGHG and CRC (by July) in 2019

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Public Sector

Will still have commitments under CRC if participants in current Phase. Will also have obligations under SECR if include limited company or LLP elements and meet eligibility thresholds.

Public bodies may also be covered under either the **Greening Government Commitments**, which commits central Government departments to a 43% reduction in greenhouse gas emissions by 2020; or the voluntary target set for the wider public sector **in England** under the **Emissions Reduction Pledge** which encourages organisations to sign up to a 30% carbon reduction target from 2009/10 to 2020/21.

The emissions captured here will be buildings emissions, domestic travel and fugitive emissions. Separate arrangements may apply in other parts of the UK.

Energy Savings Opportunity Scheme

- ESOS established in 2014 - a mandatory energy assessment scheme for large undertakings in the UK.
- Assessments carried out every 4 years to identify cost-effective energy saving measures.
- Key dates:
 - 31 December 2018 – was qualification date for Phase 2 of ESOS
 - 5 December 2019 - compliance deadline of 5 December 2019 for qualifying companies
- ESOS evaluation is underway and due to be published in 2019

ESOS – Phase 2

- Guidance Minor Changes, now published and new portal
- ISO 50001:2011 superseded by ISO 50001:2018 - certification under either of the 2011 and 2018 versions of the standard is accepted;
- Qualification date 31 December 2018
- Compliance deadline of 5 December 2019

Industrial Energy Efficiency

Industrial Energy Efficiency Accelerator : £9.2M competition to identify and accelerate deployment of new energy efficient technologies and processes to UK industry / manufacturing sectors

Climate Change Agreements - Now in Final Target Period (2019 and 2020) – with CCL discounts to March 2023 - evaluating to inform decisions on future schemes

Industrial Heat Recovery Support Programme - £18M available to co-fund feasibility studies and capital equipment

Industrial Energy Transformation Fund – up to £315 million of investment, to support businesses with high energy use to transition to a low carbon future and to cut their bills through increased energy efficiency.

Industrial decarbonisation challenge - Establish the world's first net-zero carbon industrial cluster by 2040 and at least 1 low-carbon cluster by 2030

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Questions?

Schemes

CCA – cca-help@environment-agency.gov.uk

CRC – CRChelp@environment-agency.gov.uk

ESOS – ESOS@environment-agency.gov.uk

SECR – Reporting@beis.gov.uk

Evaluations

CCA – CCAResearch@beis.gov.uk

ESOS - esos@beis.gov.uk

