

SECR BRIEFING NOTE


Mar 2019

What is SECR?

*How do I know
if it will apply
to my
organisation?*

*What will I need
to do and
when?*

*What should I
do now and how
do I benefit?*




What is SECR

Introduction

The Streamlined Energy and Carbon Reporting (SECR) is a new reporting scheme for **large** incorporated companies that file annual reports with Companies House. It will be introduced from April 2019 and will be UK wide. This guide covers:

- How to determine if a company is captured by SECR
- How to comply with the new regulations
- What information has to be report
- Reporting requirements and how to report

A significantly larger number of organisations will be required to report under this scheme, estimated at just under 12,000. The new SECR replaces the Carbon Reduction Commitment which ends in March 2019.



How do I know
if it will apply
to my
organisation?

Does SECR apply to me?


SECR will apply to all large incorporated companies, defined as satisfying **two** or more of the following criteria:

- Employ 250 or more people
- Have an annual turnover in excess of £36m
- Have an annual balance sheet total greater than £18m

If your organisation meets two of the above criteria you will be captured by the new legislation and be required to include information on energy consumption and carbon emissions in your company's annual report.

If you are reporting at Group level, the Group Annual Report must take into account all subsidiaries. However, you can exclude information relating to subsidiaries that would fall below the definition of large enterprise in their own right – though companies may choose to do so voluntarily. **Note:** this is different from the Energy Savings Opportunity Scheme (ESOS) where the whole group must comply if just one group company qualifies for ESOS. Hence only those companies in the group that individually meet the criteria need to be included in the report.

Quoted companies have existing requirements relating to mandatory Greenhouse Gas reporting legislation put in place in 2013. These will remain but the new legislation brings in some additional requirements.



What will I need
to do and
when?

SECR Reporting

Large Unquoted Companies

Unquoted companies that meet the definition of a large enterprise will be required to report for **financial years commencing on or after 1st April 2019**. For example, if your company annual reports are based on the calendar year then the first report that you be required to include this for would be the annual report for Jan-Dec 2020.

Qualifying companies will need to include the following information **within their published annual Director's Report**, or included within the 'Strategic Report' if energy and carbon are deemed to be of strategic importance.

- Total **UK** energy use, as a minimum relating to; electricity, gas and transport (where fuel is purchased directly for business use).
- Total **UK** CO₂ emissions.
- A relevant and appropriate emissions intensity ratio (i.e. tonnes CO₂ per £ turnover, or tonnes CO₂ per unit of production – the metric is your choice).
- Comparison with previous year's consumption and emissions (not applicable for the first year reported).
- A statement relating to principal energy efficiency measures taken throughout the year.
- A statement of the methodology used to calculate the emissions.

What will I need
to do and
when?

Emission Sources to Report

Emission Source	Typical Data Source
Large Unquoted Company – Must Report “Scope 1 and 2”	
Electricity	Invoices/meter readings
Combustion of Gas	Invoices/meter readings/purchase records
Transport fuel (purchased for business use)	Fuel purchase records/mileage records
<i>Other fuels - optional</i>	<i>Delivery notes, stock readings</i>
Optional “Scope 3” emissions	
<i>Water usage</i>	<i>meter readings</i>
<i>Waste disposal</i>	<i>various records</i>
<i>Other transport e.g. flights, train travel/ commuting</i>	<i>expense records, estimates</i>
<i>Goods Purchased</i>	<i>Purchase records</i>
<i>Use of Goods/Services</i>	<i>sales records</i>

Scope 1 emissions are classed as those that arise from fuel combusted by the company (e.g. fuel burnt on site or in company owned vehicles).

Scope 2 emissions are classed as emissions that arise from the consumption of an energy source that another company generated (e.g. electricity or steam provided by a neighbour).

Scope 3 emissions are from all other activities (e.g. emissions as a result of another company providing a product or service).

There is no legal requirement to report **Scope 3** emissions but this is ‘strongly encouraged’ by government, particularly where they are material to an organisation’s environmental impact. In some instances, data may be readily available and converting this into CO₂ emissions can be relatively straightforward.



Reporting Requirements Q&A

I currently purchase energy through a 'Green Tariff' how should I report this? A number of companies purchase electricity via a 'green tariff', with either all, or a proportion, of this electricity having a nominal renewable source, often accompanied by some proof of origin (e.g. a REGO – Renewable Energy Guarantee of Origin). For SECR purposes this energy can be reported as low carbon, but the government recommends following existing GHG reporting guidelines which encourage dual reporting in these circumstances i.e. reporting two sets of emission figures on using the 'market based' (related to the supply contract) emission factor and another using the 'location based' (based on where generated) emission factor. Please refer to SECR guidance for more information (links provided on final page)

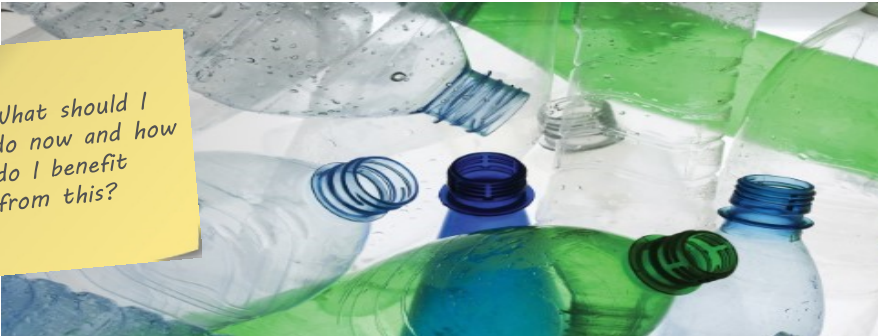
Is there a specific methodology that I will need to use to calculate emissions? No specific methodology is prescribed by the guidance but 'robust and accepted' methods should be used such as those set out in GHG protocol or in ISO140064-1. Your published statement of emissions will also have to state what methodology you have applied (data could come from existing sources like CCAs, EUETS, IED permits).

Do I need to have my calculations verified? No. There is no requirement to have your emissions independently verified. It is recommended by Government as best practice and may well be an option you could consider to meet corporate reporting requirements or if you are reporting under schemes such as CDP. Please refer to BEIS guidance for more information (link on final page).

I don't have the appropriate or complete energy consumption records what should I do? Ideally your data should be supported by a verifiable source, typically a supplier invoice or meter reading. If these are not available it is acceptable to utilise estimation techniques such as; direct comparison e.g. with a previous year, pro-rata extrapolation, benchmarking against similar sites.

Who is enforcing this? The Conduct Committee on the Financial Reporting Council are responsible for monitoring compliance of company reports and accounts, and SECR reporting will be captured under the same regulations. You should therefore keep records showing source data and relevant calculation and assumptions, to support your reporting should you be selected for audit

I am the tenant in a site do I need to include this in my report? You should report on energy use that your organisation uses. If you are a tenant then you should include the energy consumed in that site within your report.




What should I do now and how do I benefit from this?

Benefits of Carbon Reporting

The government has brought in SECR to, in its view, increase awareness of energy use and associated emissions and costs, and hopefully further encourage organisations to reduce energy use and environmental impacts. It will also create consistency across company reporting and make this information publicly available to investors and other stakeholders.

Measuring your energy use and emissions can provide a number of benefits including;

- Improved awareness of energy use and energy efficiency.
- Informed decision making and investments.
- Identification of potential risks re. new legislation and additional carbon costs.
- Identification of potential risks in the supply chain.
- Develop a broader/better understanding of Environmental Impact of products and services.
- Identify and target energy and carbon 'hot-spots'.
- Better engagement with suppliers.
- Comparison with other similar organisations.



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Next Steps

Now:

1. Assess whether your company is required to report under these regulations.
2. If you qualify, confirm your company's annual reporting timescales so you know when the data needs to be collated and drafted in time for publishing.

Before the start of the next financial year which commences after 1st April 2019:

3. Determine what needs to be reported by identifying what sources of energy and carbon need to be included.
4. Identify where consumption data is going to come from (e.g. CCA or EU ETS audit trails, invoices, meter reads, fuel receipts) and how it is going to be collated.
5. Put in place appropriate data capture procedures to collate the data and information about energy saving measures implemented.
6. Select an appropriate methodology (e.g. GHG Protocol) to calculate the CO_{2e} emissions.

After the end of the financial year and prior to completion of the annual report:

7. Calculate the total energy consumption and CO_{2e} emissions.
8. Prepare text and tables for inclusion in the annual report.

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Further information:

Guidance issued by the Department for Business, Energy and Industrial Strategy (BEIS):

<https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>



FDf Environmental Helpdesk, run by SLR:

This document introduces you to SECR and how it may apply to your company. If you would like assistance to understand the specifics of your obligations under SECR then please email reema.patel@fdf.org.uk

