food & drink federation
passionate about food & drink

Update to FDF Members on

Streamlined Energy and Carbon Reporting (SECR)

Presented by:

Graeme Precious

14th January 2021

global **environmental** and **advisory** solutions

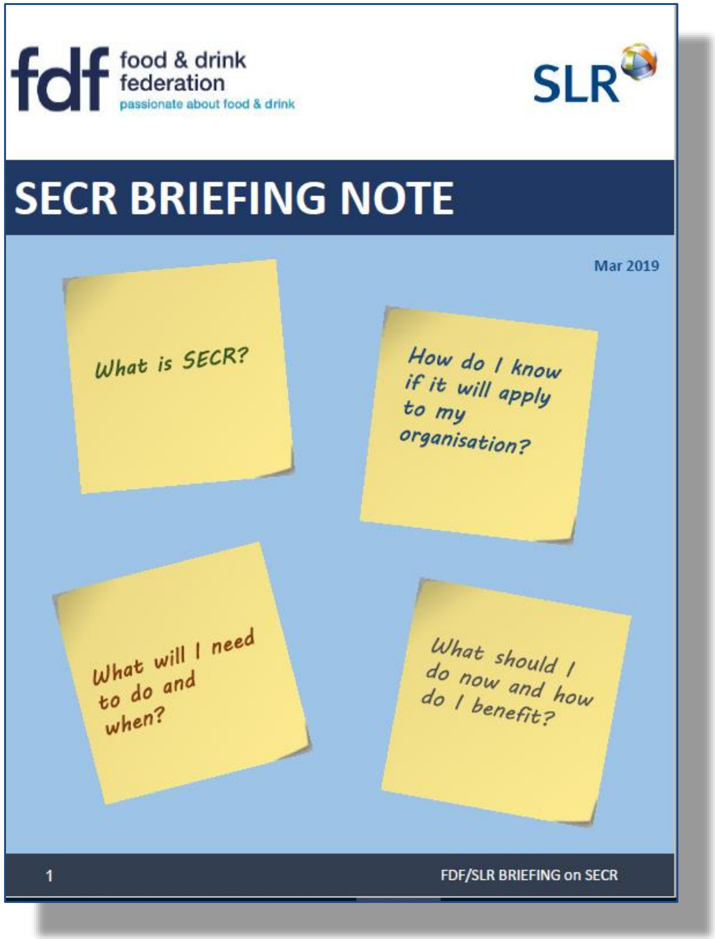
SLR

What we'll cover today

- Background, qualification and timescales
- Where to report?
- Reporting Requirements
- Enforcement
- What benefits could this give?
- Links to further information
- What do I need to do now?

A briefing document has been produced by FDF and SLR to support members in understanding SECR.

This can be downloaded from the FDF website.


fdf food & drink federation
passionate about food & drink
SLR

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?

1 FDF/SLR BRIEFING on SECR

Who qualifies?

Background – why has SECR been introduced?

- In 2016 the UK government announced reforms to improve the carbon tax and reporting regime. A consultation was launched in October 2017 with the response published in July 2018
- A new UK-wide reporting scheme, 'Streamlined Energy and Carbon Reporting' (SECR) was introduced in April 2019 following closure of the CRC Scheme
- The new reporting requirements came into effect for financial years starting on or after 1st April 2019 under 'The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, 6th November 2018
- It is estimated that approx. 12,000 companies are required to report

Who Qualifies?

- The new SECR reporting framework will apply to all large UK incorporated unquoted companies, defined as satisfying **two or more** of the following criteria (Companies Act definition);
  - Employ **250** or more people
  - Have an annual turnover in excess of **£36m**
  - Have an annual balance sheet total greater than **£18m**

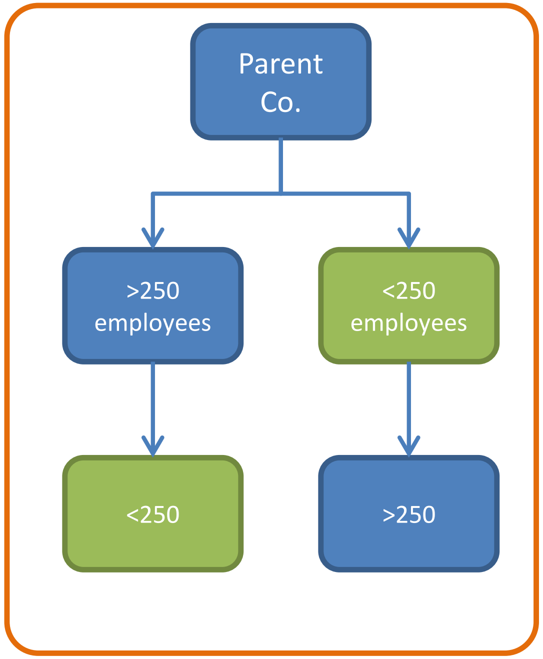
  Sounds similar to ESOS but isn't the same – see next slide.

- 'Low Energy users' (<**40,000kWh** p.a.) will **not** be required to report – but must include a statement as to why they are excluded

Quoted companies already have an obligation to report under mandatory GHG reporting legislation and will continue to do so with some additional requirements brought in under SECR

Qualification: difference between ESOS and SECR

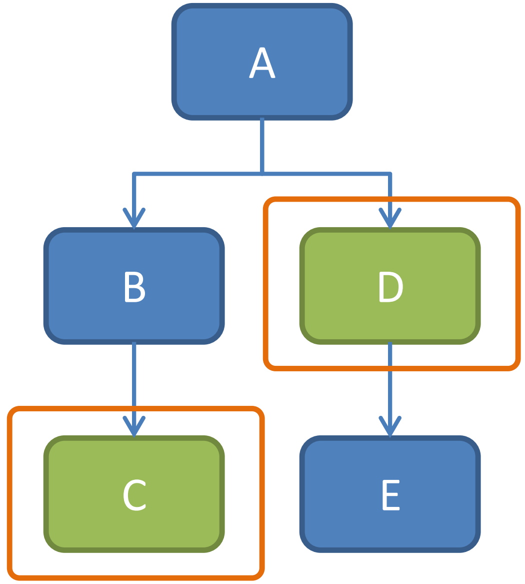
How the organisation qualifies in ESOS



ESOS Large Company

More than 250 employees, or, over both financial thresholds (50mEURO turnover and 44mEURO balance sheet)

How the organisation qualifies in SECR



SECR Large Company

Two of the following apply:
Employ 250 or more people / Annual turnover in excess of £36 m / Have an annual balance sheet greater than £18 m.

Reporting timescales?

- Reporting is in-line with company financial reporting

Reporting Period	SECR period	Results published
Reporting Period October - September	First SECR period 1st Oct 2019 – 30th Sept 2020	Results published Dec/Jan2020
Reporting Period January - December	First SECR period 1st Jan – 31st December 2020	Results published Feb/March 2021
Reporting Period April - March	Second SECR period 1st Apr 2020 – 31st March 2021	Results published May/June 2020

Where to Report?

global **environmental** and **advisory** solutions

Where to Report?

- Reporting under the SECR framework will be carried out in **company Annual Reports**
- UK subsidiaries that qualify for SECR in their own right, will **not** be required to report separately if covered by a **Parent's group** report (although they may report individually on a voluntary basis)
- Where a Parent company is **not registered in the UK** but has subsidiaries registered in the UK
- ….these **UK subsidiaries**, **if qualifying for SECR in their own right**, would need to include an SECR statement
- Companies that are **not registered in the UK** are **not** obliged to file Annual Reports at Companies House, and will fall outside of scope

The government is considering a form of additional electronic reporting in future though unlikely to be mandatory – not in place currently

Reporting Requirements?

What needs to be reported?

- UK **energy use** from buildings (to include **as a minimum** the use of gas* and electricity) and transport (see next slide)
- Associated **carbon emissions** in Scope 1 and Scope 2 categories (explained in a subsequent slide), reporting Scope 3 is voluntary
- A relevant **carbon intensity metric** (e.g. could be tCO_{2e}/£ turnover)
- **Comparison** with the previous year (not for first year reporting)
- A statement of the **methodology** used to define what's been included and how the emissions have been calculated
- A narrative commentary on **energy efficiency action** taken during the financial year
  - This should be; *'meaningful, informative and consistent with the size of the business'* but if commercially sensitive can be withheld (but must explain this)
- 'Green Electricity' can be reported as low carbon – recommended to use the dual 'location based' and 'market based' methodology (explained in a subsequent slide)
- In a landlord/tenant scenario the party 'consuming' the energy should report

*'Gas' refers to fuels that are gaseous at standard temp and pressure e.g. LPG

What is included in ‘Transport’?

Reportable energy use from transport includes:

- Fuel used in company cars and personal/hire cars on business use.
- Fuel used in Fleet vehicles operated for business use.
- Fuel use in private jets, fleet aircraft, trains or ships directly operated.
- The journey must start, end, or both starts and ends in the UK.

Non-reportable energy use (but can be included under Scope 3 emissions) include;

- Employee flights or train travel (where you are not an operator of the vehicle).
- Fuel associated with taxi journeys (where you are not a taxi operator).
- Fuel associated with transport of goods by a sub-contractor.
- Staff commuting.
- Non-UK travel.

What are Scopes 1, 2 and 3?

- The World Resources Institute (WRI) developed the Greenhouse Gas (GHG) Protocol a number of years ago. To prevent the same emissions being reported by different companies it advised that emissions are reported by scope:
  - **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 imported 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).
- SECR requires that **Scope 1 and 2** emissions, relating to reported energy consumption, are reported

Scope 3 Reporting

- There is no legal requirement to report Scope 3 emissions e.g. emissions from;
  - Waste disposal
  - Use of water
  - Procurement of goods and services
  - Use of products and services
  - Staff commuting
- …however reporting is **'strongly encouraged'** particularly where they are material to an organisation's environmental impact.
- We would recommend reporting Scope 3 emissions to give a broader picture of an organisations environmental impact, quantification can be relatively straightforward where data is available.

Reporting of 'Green' Electricity

- The WRI GHG Protocol allows companies to reflect how the electricity supplied to their organisation was generated. There are two ways in which to report electricity again to prevent double-counting of emissions:
  - **Location based:** electricity is generated in a country and it is converted into carbon emissions using that country's national grid emission factor
  - **Market based:** the electricity is converted into carbon emissions using the carbon emission factors supplied by their energy provider. Hence if an organisation is supplied with 100% certified renewable/'green' electricity then it will have a carbon emission factor of zero

What time period to report?

- It is strongly preferred if the period that the data is collected matches the Financial Reporting Period
- …though it doesn't have to be if it is too onerous to change.

'If the annual period used is not the same as the financial year covered by the relevant Report, this must be made clear in the Report.'

- The commentary on energy/carbon saving measures implemented **must** relate to the Financial Year

'If actions have been taken to improve the businesses' energy efficiency during the financial year…a description of the principal energy efficiency actions taken should be disclosed…. The actions should not relate to periods outside the organisations' financial year'

Sources of Data

- Verifiable data sources should be used e.g.;
  - CCA/EUETS audit trails
  - Supplier Invoices/Annual Statements
  - Meter readings
  - Mileage records
  - Fuel Purchase records

- If not available then the below estimation techniques can be used;
  - Direct comparison e.g. with a previous year
  - Pro-rata extrapolation
  - Benchmarking against similar sites
  - Use of fuel expenditure

Methodology and Verification?

- No specific methodology is prescribed but ‘robust and accepted’ methods should be used e.g.;
  - GHG protocol
  - ISO140064-1
- No requirement for the data to be externally verified, but it is recommended as best practice.
  - The auditors signing off the Annual Report are required to sign off the contents of the report and hence may ask to see audit trails behind the information presented to check it meets the requirements of the Regulation

How will this be enforced?

How will this be enforced?

- The **Conduct Committee on the Financial Reporting Council** monitor compliance of company reports and accounts
- If 'relevant disclosures' are not provided the committee can request a revised report
- A late filing penalty regime will apply to accounts that omit SECR data
- SECR was developed and brought in by the Department for Business Energy and Industrial Strategy (BEIS). They will not police compliance
- Within 5 years of SECR being introduced they are required to evaluate the effectiveness of the policy.

What benefits could this give?

Benefits of Carbon Reporting?

- Creates consistency of company reporting
- Provides transparency for Investors
- Can lead to improved monitoring and awareness of costs and consumption
- Inform decision making and investment in energy/carbon reduction measures
- …leading to potential cost reduction
- Identify potential risks r.e. new legislation and additional carbon costs
- Identify risks in the supply chain
- Develop a broader/better understanding or Environmental Impact of products and services
- Identify and target carbon 'hot-spots'
- Better engagement with suppliers

Links to further information

Links to further information

Guidance issued by BEIS and Defra:

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

What do I need to do now?

What do I need to do now?

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
3. Determine what needs to be reported by identifying; reporting boundary (e.g. operational or financial control approach), sources of energy and carbon 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

FDF Environmental Helpdesk, run by SLR:
The briefing 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

global **environmental** and **advisory** solutions

Thankyou

Graeme Precious
gprecious@slrconsulting.com
07766 114209

global **environmental** and **advisory** solutions