
Streamlined Energy and Carbon Reporting

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Policy Context

CRC and SECR

- In March 2016 Government announced that CRC would close after the end of current phase – final CRC reports 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);
- 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.
- Fits within wider context of Clean Growth and Industrial Strategies and Green Finance Task Force / TCFD

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Policy Context

- Consultation sought views on introducing an obligation on UK registered companies to report their energy use and associated emissions. This would be done in Annual Reports. Enforcement by the Companies House/Financial Reporting Council.
- SECR designed to be light touch in line with the Government's commitment to simplify the landscape, and the deregulatory thrust of the Business Energy Efficiency Taxation Review which underpinned the decision to close CRC.
- CRC legislation laid on 18 July 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 is planned for introduction from 1 April 2019. Draft SI laid on 18 July: The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.
- Synergies with (unchanged) ESOS requirements for all large undertakings

SECR - Who/what

Quoted Companies

Continue to require **all UK quoted companies** to report in **Directors' report** on **global scope 1 and scope 2 GHG emissions** and **intensity metric** in annual reports,

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

SECR - Who/what/how

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

- **UK energy use** and associated **scope 1 and scope 2 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+);
- 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

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SECR – When?

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

Companies can on a voluntary basis meet or exceed the proposed requirements sooner (and quoted UK companies will still need to meet existing MGHG reporting obligations).

SECR – How?

Guidance

Looking to have finalised guidance in place in early 2019

Expecting to build on existing environmental reporting guidance used for MGHG reporting

Not prescriptive on methodology but expect to set out good practice / templates based on following principles:

**Relevant / Quantitative/ Accurate / Complete / Consistent/
Comparable / Transparent**

SECR – Audit?

The auditor of financial statements will be required to consider:

- Consistency with the financial statements;
- Consistency with the knowledge acquired by the auditor in the course of performing the audit; and
- Any need to qualify their report.

May also be requirement for reference in Strategic Report

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

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