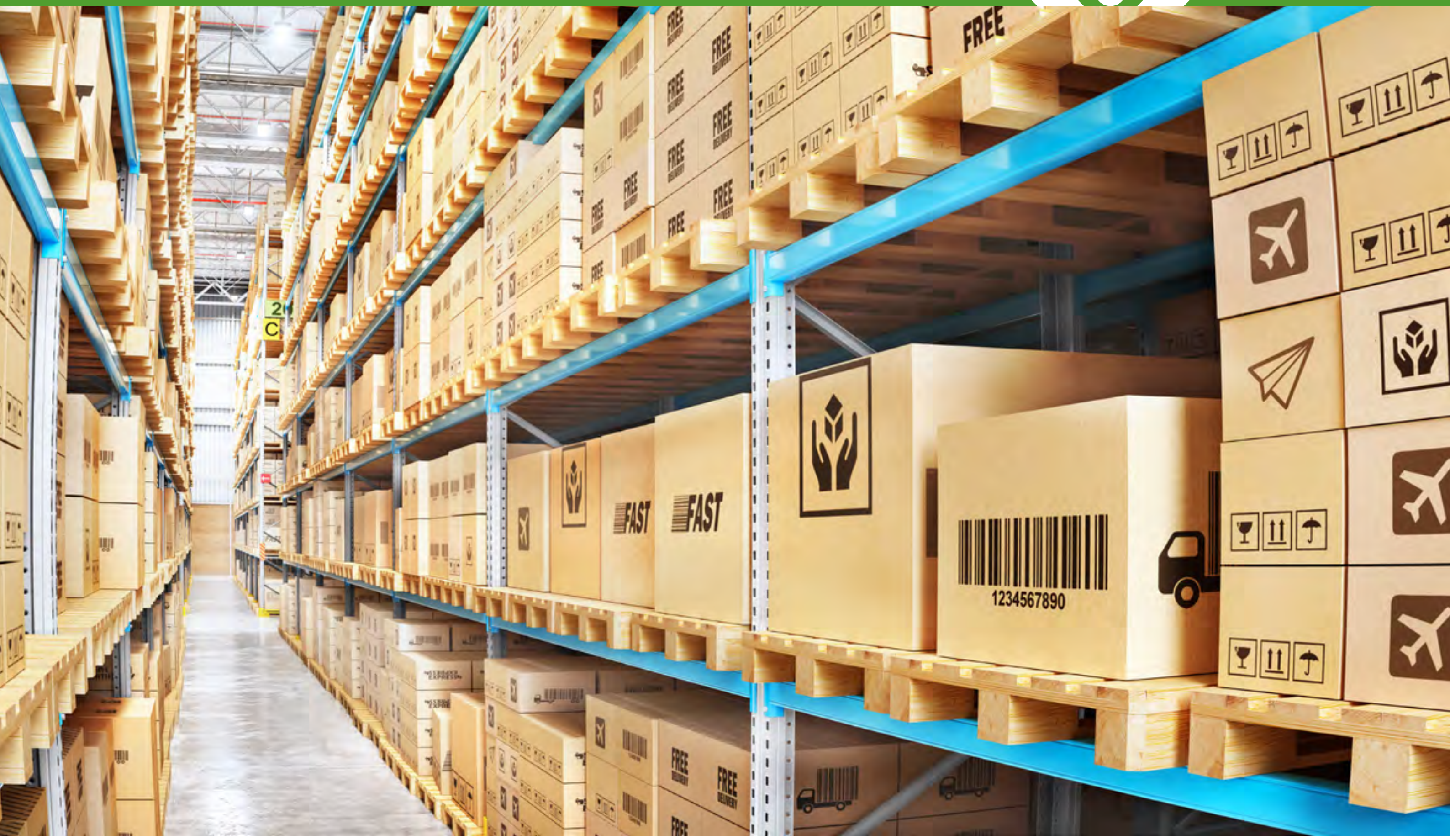
Monarch **Explains**

NEW SECR FRAMEWORK

HOW TO COMPLY?



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Streamlined Energy & Carbon Reporting SECR from 1st April 2019

Understanding the new Streamlined Energy and Carbon Reporting (SECR) framework has replaced the CRC Energy Efficiency Scheme. SECR is meant to simplify energy and carbon reporting for businesses and industry. The government hopes that the SECR framework enables business and industry to improve their energy efficiency and energy productivity by 20% by 2030. Approximately 12,000 businesses fall under the reporting requirements. From April 2019, companies with more than 250 employees, an annual turnover of £36 million or over, or an annual balance sheet greater than £18 million will have to share information about their energy use. This includes data on their carbon emissions and any energy efficiency measures they put in place. The SECR framework, as part of the government's Clean Growth Strategy aims at streamlining energy and carbon reporting. SECR scheme also aims helping consumers realise the connection between reduced consumption, reduced bills, and a reduced carbon footprint.

WHY WAIT? LET'S START NOW!

How we facilitate your SECR?

The appropriate metrics for your company and your sector will vary from other sectors. We will help you find best practices and relevant guidance. We work with different sectors: housing, property management, retail, independent schools, facilities management, manufacturing, etc. We keep all our customers up to date and provide practical guidance on how to comply with SECR. Most importantly, we assist your company with the tedious task of energy and travel data collection and analysis with our Smart Asset Management service. We are experienced in different UK government and global policy requirements, and have assisted many organisations with the the CRC Energy Efficiency Scheme, ESOS 1 & 2 phase, scope 1, 2, and 3 greenhouse gas emissions, and voluntary reporting.

How do you comply?

As a qualifying company, you are required to report full details on your energy usage, carbon emissions and actions taken to address energy efficiency. **Note: energy in the scope of the new SECR scheme includes all UK electricity, gas and transport: road, rail, air and shipping.**

You need to detail your company's emissions as a ratio against at least one other quantifiable factor related to business activities: turnover, number of full-time employees, or production volume.

When to start?

1st April 2019 onwards (tied to financial year)
As the SECR framework comes into effect on 1st April 2019, the first public disclosures will be provided in 2020 to allow companies a full year to collect and report on the required data.

The government will offer electronic reporting for SECR on a voluntary basis already from 2019 onwards. Mandatory electronic reporting could be an option in the future, though it is not mandatory to submit directors' reports electronically.

Submit your data

As a qualifying company you will submit the data and reporting details as part of your annual Directors' Report for the financial year beginning on or after 1 April 2019. If you do not produce a separate Director's Report, you can include the SECR data in an equivalent section contained within your annual report.

Do you use energy globally?

Quoted companies are now required to report also on their global energy use. Under the existing mandatory greenhouse gas reporting requirements quoted companies are already required to disclose their global, scope 1 and 2 greenhouse gas emissions with an intensity metric in their annual reports. Scope 3 reporting will be done on a voluntary basis.

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What does SECR mean to your business?

New companies

The category 2, and 4 companieswill now also have to report their UK energy use from electricity, gas and transport. In addition , for the first time, all companies need to disclose the associated scope 1 and 2 greenhouse gas emissions from all activities and an intensity metric.

Narrative commentary

All qualifying businesses will be required to provide a narrative commentary on their energy efficiency actions they have taken in the previous financial year. In addition, organisations can also disclose their ESOS recommendations and the implementation progress.

Best practices?

The government will set out guidance what it considers to be a good practice: transparency on on-site clean energy generation, the purchase of low carbon energy, actions taken to reduce the impact of business travel, any offsetting of emissions, and the use of ultra-low emission vehicles. However, it will not specify which methodologies should be used for energy and carbon reporting in the legislation, nor will it specify which intensity metrics must be used.

Go beyond!

As a qualifying company, you can to go beyond the required reporting and include any other material source of energy use or greenhouse gas emissions, as well as reporting on scope 3 emissions.

Eligible UK companies

The scheme is a mandatory requirement for the following four types of businesses.

1) All quoted UK companies (as defined in section 385 of the Companies Act 2006).1 This is the same group of around 1,200 companies already required to report under the mandatory Carbon Reduction Commitment (CRC).

2) UK registered, unquoted large companies (as defined in section 385 of the Companies Act 2006) fulfilling at least two of the following criteria:

- 250 or more employees
- An annual turnover greater than £36m
- Over £18 m on the balance sheet

3) Large Limited Liability Partnerships (LLPs) that are already be obligated to carry out energy audits under the requirements of the ESOS Regulations 2013, and that were required to report under the CRC. This applies to an estimated 230 large LLPs.

4) Large unregistered companies that operate for gain and currently have to produce directors' reports under the Unregistered Companies Regulations 2009 and needing to comply with the Large and Medium-sized Companies and Groups Regulations 2008. This is estimated to apply to fewer than 50 unregistered companies.

The Department of Business, Energy and Industrial Strategy (BEIS) confirmed to us that Housing Associations will fall within the SECR qualifying categories, if the Group includes companies, even if they are a not-for-profit or they are undertakingpublic activities.

WHO DOES NOT HAVE TO COMPLY?

Companies meeting one or more of the exemptions listed below do not need to comply with SECR framework.

- Unquoted companies not registered in the UK will fall outside the scope. However, if they have qualifying UK registered subsidiaries, they will need to report in their own right.
- Parent companies can exclude their subsidiary companies from SECR reporting requirements, if the subsidiary itself does not fulfil the threshold criteria.
- Global energy use: if the excluded information is clearly stated and it is impractical to obtain the data, a global company does not have to report its global energy use.
- Disclosing energy use data publicly can be regarded as commercially sensitive information, especially in energy intensive industries. In rare circumstances company can use this as a justification for an exemption in the Director's Report.
- A statutory de minimis: companies that can demonstrate their energy use is very low, at close to domestic levels, can get exemption, as it is not cost-effective to audit and report on consumption of 40,000kWh or less over a 12-month period.

Example of CO2 reporting

Our footprint at Monarch

Total carbon footprint: **51.8** tCO2e

Footprint per employee: **0.94** tCO2e

Annual reduction target: **5%**

Total target reduction: **2.59** tCO2e

Target per employee: **0.047** tCO2e

WHY WAIT? LET'S START NOW!

When and how to start reporting: 1st April 2019 onwards tied to your financial year, aligned wigth the Annual Director's Report.

As the SECR framework comes into effect on 1st April 2019, the first public disclosures will be provided in 2020 to allow companies a full year to collect and report on the required data.

The government will offer electronic reporting for SECR on a voluntary basis already from 2019 onwards. Mandatory electronic reporting could be an option in the future, although it is currently not mandatory to submit directors' reports electronically.

NOTE:
ALL TRANSPORT IS NOW INCLUDED IN YOUR ENERGY USE!

HOW DOES SECR LINK WITH OTHER SCHEMES?

The government stated in their consultation outcome [link] that the SECR should build upon the existing mandatory Energy Savings Opportunity Scheme (ESOS), mandatory GHG reporting requirements and the greenhouse gas emissions reporting by UK eligible companies. SECR also references emerging voluntary frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD).

Organisations complying with the ESOS regulation are now conducting audits to identify their cost-effective energy efficiency opportunities for ESOS Phase 2. SECR is simpler than ESOS, so qualifying companies will not in effect undergo extra work. However, the definition of “a large company” in the ESOS Regulations and in SECR is different.

The government intends to revisit how the SECR framework will interact with ESOS after they completed the evaluation of the impact and effectiveness of the first phase of ESOS.

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Government Schemes

CRC Energy Efficiency Scheme

CRC scheme will be closed following the 2018-2019 compliance year. The scheme applies to large energy users in the public and private sectors across the UK, incl. supermarkets, water companies, banks, local authorities and all central government departments. Organisations meeting the qualification criteria are required to participate, and must buy allowances for every tonne of carbon they emit.

ESOS Energy Savings Opportunity Scheme

A mandatory energy assessment scheme for qualifying organisations in the UK. The Environment Agency is the scheme administrator. Qualifying companies must carry out ESOS assessments every 4 years. The assessments are audits of the energy used by their buildings, industrial processes and transport to identify cost-effective energy saving measures.

Clean Growth Strategy

Strategy for growing our national income while cutting greenhouse gas emissions. Ensuring an affordable, clean energy supply for businesses and consumers is at the heart of the UK's Industrial Strategy. It will increase our productivity, create good jobs, boost earning power, and help protect the climate and environment upon which we and future generations depend.

Task Force on Climate-related Financial Disclosures (TCFD)

An industry-led initiative to develop voluntary climate-related financial risk disclosures by companies in providing information to stakeholders. Aimed at all financial actors, from companies and investors to asset owners and managers, to provide consistent and transparent information to global markets.

Mandatory greenhouse gas reporting

Global, scope 1 and 2 greenhouse gas emissions with an intensity metric. Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, quoted companies are required to report their annual greenhouse gas (GHG) emissions in their directors' report. It is the first vital step for companies to make reductions in emissions.

Mandatory GHG reporting

The UK Government has announced that under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, quoted companies are required to report their annual greenhouse gas (GHG) emissions in their directors' report. Carbon reporting is the first vital step for companies to make reductions in emissions.

Climate Change Agreements

The CCA are voluntary agreements made by the UK industry and the Environment Agency to reduce energy usage and CO_2 emissions. In return, organisations receive a discount on the Climate Change Levy. The EA admnisters the CCA scheme on behald of the whole UK.

The CHP Quality Assurance programme

CHPQA programme aims to monitor, assess and improve the quality of UK Combined Heat and Power. Successful CHPQA certification grants eligibility to a range of benefits: Renewable Obligation Certificates, Renewable Heat Incentive, Carbon Price Floor (heat) relief, Climate Change Levy exemption, Enhanced Capital Allowances and preferential Business Rates.

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