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FOCUS ON

Streamlined Energy and Carbon Reporting (SECR)

From financial years beginning on or after 1 April 2019, large UK companies will be required to report publicly on their UK energy use and carbon emissions within their Directors' Report or an equivalent section within their annual reports. This new requirement has been implemented by the Department for Business, Energy and Industrial Strategy (BEIS).

SECR will impact any companies, LLPs and groups that exceed at least two of the following three thresholds in the last two preceding financial years:-

£36m annual turnover

£18m balance sheet total

250 Employees

For businesses meeting the above criteria, company or group reporting is required regardless of whether an overseas parent company or group has published a similar report. A group may however exclude any energy and carbon information relating to any subsidiaries which would not be obliged to report individually according to the thresholds. After undertaking a calculation, where a company has consumed less than 40 MWh, a disclosure is not required.

What is it?

Designed to build on the existing mandatory greenhouse gas reporting already in place for UK quoted companies and replace the Energy Efficiency Scheme CRC its aims are to:

1. Increase awareness of energy costs within large and quoted organisations, including enhanced visibility to key decision makers;
2. Create more of a level playing field amongst large organisations, in terms of energy and emissions reporting;
3. Ensure administrative burdens associated with energy and emissions reporting are broadly aligned to existing energy reporting requirements and business reporting frameworks;
4. Provide organisations in scope with the right data to inform adoption of energy efficiency measures and opportunities to reduce their impact on climate change; and
5. Provide greater transparency for investors and other stakeholders, on business energy efficiency and low carbon readiness.

Complying with SECR

Quoted companies of all sizes continue to be required to report their global greenhouse gas (GHG) emissions and an intensity ratio through their annual reports. Additionally, they are now required to report their total global energy use and information relating to energy efficiency action alongside the methodology used to calculate the new and existing disclosure requirements. Previous year's figures for energy use and GHG should also be disclosed.

Large unquoted companies and LLP's are obliged to report their UK energy use and associated GHG emissions as a minimum relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, through their annual reports. Previous year's figures for energy use and GHG emissions should also be disclosed (except in the first year).

In addition, al companies are required to provide information on any energy efficiency action taken in the financial year.

Beyond compliance

Whilst it is not a direct requirement for compliant filing, SECR also recommends voluntary disclosures and these should certainly be considered given the likely wide ranging users and stakeholders that will ultimately ask for the data now that there is a 'standardised' framework allowing comparisons to be made.

Voluntary disclosures may include:

Scope 1 – wider emissions such as other fuel use and refrigerants

Scope 3 – other staff travel, e.g. train, flights etc

Potential impact of getting it wrong or drawing your boundaries too tightly

- The potential reputational impact of public disclosure of energy use and carbon emissions
- The entity may not be in line with acceptable practices/ industry peers
- Facing penalties from disclosing inaccurate data/in a non-compliant form. Reporting is part of the financial reporting requirements, therefore, should reports not be compliant they can make statutory account filings late and fall within the fine structures for such
- Disclosures will form part of the Directors' report within annual account filings and as such disclosing additional information without assurances that the data and internal governance structures are adequate can lead to exposure of those signing the accounts

How can we support you?

As part of a wider strategy/risk review or as a standalone engagement we can:-

- Provide guidance on your carbon accounting
- Assist you with defining the reporting scope including operational control and organisational boundaries
- Review your processes, control, and data outputs to assess the accuracy and completeness of your carbon disclosures
- Provide recommendations on best practice in monitoring and reporting operations

What you gain

- Accurate, compliant reporting
- Accelerate delivery, efficient reporting
- Increased stakeholder trust and confidence

What are the key challenges and opportunities?

Challenges

- Determining the operational boundaries and scope for reporting
- Developing/refining the processes and controls for data collection
- Accounting for complex operations

Opportunities

- Operational cost savings through increased awareness of energy use and efficiency
- Differentiating from competitors by demonstrating best practice in energy savings and efficiency
- Demonstrate improved performance year on year by establishing ongoing monitoring of energy use and carbon emissions

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