Streamlined Energy & Carbon Reporting (SECR)

What is SECR?

The Streamlined Energy & Carbon Reporting (SECR) frame work comes into effect from April 2019 and coincides with the closure of the CRC Energy Efficiency Scheme. It is a part of the UK government's on-going commitment "to help businesses to improve energy efficiency and reduce carbon emissions. It aims to build on other nationwide mandatory energy and carbon reporting schemes like ESOS and Green House Gasses reporting (GHG)".

The highlights

- Approx. 11,900 organisations will be required to report accurate and auditable annual energy reports under SECR
- The legislation affects quoted companies, large unquoted companies and large limited liability partnerships (LLP). You may fall within these categories even if not for profit or if undertaking public activities (universities or NHS trusts which include companies)
- The CCL levy for electricity and gas will increase, by 45% and 67% respectively
- Energy use that will be covered in the required annual reporting is both Scope 1 & 2 (see Note 2 for definitions)
- Transport is defined as road, rail, air and shipping
- SECR sees the removal of the 6,000MWh threshold that applied to CRC. SECR incorporates all businesses based on turnover, balance sheet and number of employees criteria (see Note 1 below)
- Exemptions for low consuming businesses <40MWh (40,000kWh)
- Energy data must be reported alongside a performance metric e.g. production per kWh
- A high-level description of energy efficiency actions needs to be included in the annual report
- ***SECR is subject to the same compliance rules as financial reporting for Companies House. Therefore reporting energy usage will attract the same penalties as late financial filing and if energy was unreported or misreported through SECR, a named director or the organisation may be taken to court and could face an unlimited fine.***

How is SECR different to CRC?

From 2019 SECR will affect all quoted companies and organisations (as defined by the companies act) in which two of the three following criteria's apply:

- over 250 employees,
- annual turnover greater than £36m and
- an annual balance sheet of greater than £18m

This is different to the ESOS threshold, which defines a 'large' organisation from Article 8 of the Energy Efficiency Directive (see Note 1 below). Currently requirements for GHG emission reports only apply to quoted companies. SECR means extending the number of organisations that report information such as energy and carbon (GHG) from 4,000 organisations (and 1,200 in public and private sector) under CRC to 11,900 (approximately).

Exemptions have been made for low consuming organisations that can prove they use less than 40MWh (40,000 kWh) per year (approximately £4,000/year).

Transport energy, unlike CRC, will be reported as a part of SECR and will complement the current mandatory transport GHG reporting. Findings from ESOS phase one showed organisations made less progress in transport than electricity and gas. The Government hope that a greater focus on transport will enable greater saving. Employee travel will be optional but a welcomed addition.

The reported energy data must also include at least one energy performance indicator (EnPI), as defined by the organisation, in order to prove energy efficiency and in turn help focus on greater energy savings. A high level description of energy consumption reduction actions will also be required, but not to the point of compromising commercial sensitivities, projects, facts and figures. (See note 6 below.

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How has reporting been made simpler?

The 6GWh CRC reporting threshold will be removed, with the aim of "widening the scope of potential energy and emissions savings from SECR". The government also claims this will reduce reporting complexities, as it would involve carving out energy covered by other schemes (e.g. EU Emission Trading Scheme and Climate Change Agreements).

An annual director level report covering all subsidiaries (or where subsidiaries are registered with Companies House) would need to submit an annual report and in addition to the 4 yearly ESOS report.

How much will it cost?

Unlike CRC, SECR will create no revenue. In order to plug the gap left by CRC, the Climate Change Levy will be increased to the same overall revenue. This means a 45% increase for electricity and a 67% increase for gas. The increase in rates over previous years can be seen in Note 3 below. Depending on how organisations affected by CRC have purchased their allowances, they could see their bills reduce. Organisations that do not pay CRC will see their bill increase; the only way to avoid the price rise is to reduce your consumption.

Original aims of Carbon Reduction Commitment (CRC)

The Carbon Reduction Commitment was introduced by the UK government in 2007, with the aim of delivering carbon savings of 1.0MtC per year by 2020. The mandatory carbon cap and trading scheme targeted organisations with electricity consumption greater than 6,000 MWh (HH metered) per year. In order to aid the administrative workload, CRC allowances were issued via an auction process. The amount of CRC allowances an organisation needed was left for them to manage. Self-certification of monitoring, recording and verifying energy and emissions, was audited on a risk-based regime.

Your questions answered:

Q. Does SECR apply to my organisation?
A. See our decision tree below.

Q. Does SECR replace ESOS?
A. No

Q. Does SECR replace Green House Gases reporting?
A. Reporting of Green House Gas Emissions will not need to be done seperately – GHG emissions will now be reported within SECR.

Q. Does this mean 4-yearly audits stop?
A. No

Q. If not, do they apply to all organisations in SECR?
A. No. Only the organisations that are eligible for ESOS are required to do 4 yearly audits

Q. Currently most universities are not in ESOS – will that continue, although they are in CRC?
A. Correct, definitions for large organisations are different for both ESOS and SECR. Some universities are required to be in ESOS due to the way the organisation is set up

Q. If the CCL levy for electricity and gas is increasing by 45% and 67% respectively, what does this mean in p/kWh
A. The figures are shown in Note 3 below.

Q. If electricity, gas, gas oil, petrol & diesel are included in the reporting, are other forms of fuel such as heavy fuel oil, coal, kerosene and other oil distillates required?
A. All fuels covered in Scope 1 & 2 will need to be measured and reported. Note 2 below.

Q. When is the first reporting period?
A. See note 5 below.

Q. Does this mean if you have one employee but annual turnover greater than £36m and an annual balance sheet is greater than £18m that you need to comply with SECR?
A. Yes, you meet 2 of the 3 criteria applied to your organisation within the financial year, subject to energy consumption being in excess of 40MWh (40,000kWh) per year.

Note 1:
Definition of an SECR Qualifying Organisation:

- Quoted companies
- Large unquoted companies
- Large Limited Liability Partnerships (LLP)

If a company or LLP satisfies two or more of the following requirements (In a year) they will need to report:

- Turnover £36 million or more
- Balance sheet total £18 million or more
- Number of employees 250 or more

Definition of an ESOS qualifying organisation

1. Any UK organisation that either:
- employs 250 or more people, or
- has an annual turnover in excess of 50 million euro (£38,937,777)*, and an annual balance sheet total in excess of 43 million euro (£33,486,489)*
2. An overseas organisation with a UK registered establishment which has 250 or more UK employees (paying income tax in the UK)

It is reported that 7,113 ESOS submissions were received during phase 1. Of this 90 submissions were from organisations that did not qualify but wanted to show commitment to energy saving.
*The exact figures for phase 2 will be determined according the euro exchange rate on 31 Dec 2018.

Note 2: Measuring and reporting of fuels

Scope 1: Direct GHG emissions
Direct GHG emissions occur from sources that are owned or controlled by the organisation, for example fuel combustion or organisation vehicles, etc.
Scope 2: Electricity indirect GHG emissions
This is mainly defined as electricity but heat and steam can apply where it is supplied to the organisation from outside their own premises.

Scope 3: Other indirect GHG emissions
Scope 3 can include a variety of sources and aims to record GHG of the whole value stream for example:

- Business travel
- Waste disposal
- Purchased goods and services
- Employee commuting
- Use of sold products
- Transportation and distribution (up- and downstream)
- Investments
- Leased assets and franchises

You are required to quantify and report on emissions of the following greenhouse gases:

- carbon dioxide (CO_2)
- methane (CH_4)
- nitrous oxide (N_2O)
- hydrofluorocarbons (HFCs)
- perfluorocarbons (PFCs)
- sulphur hexafluoride (SF_6)

Note 3: Climate Change Levies

Climate Change Levy main rates

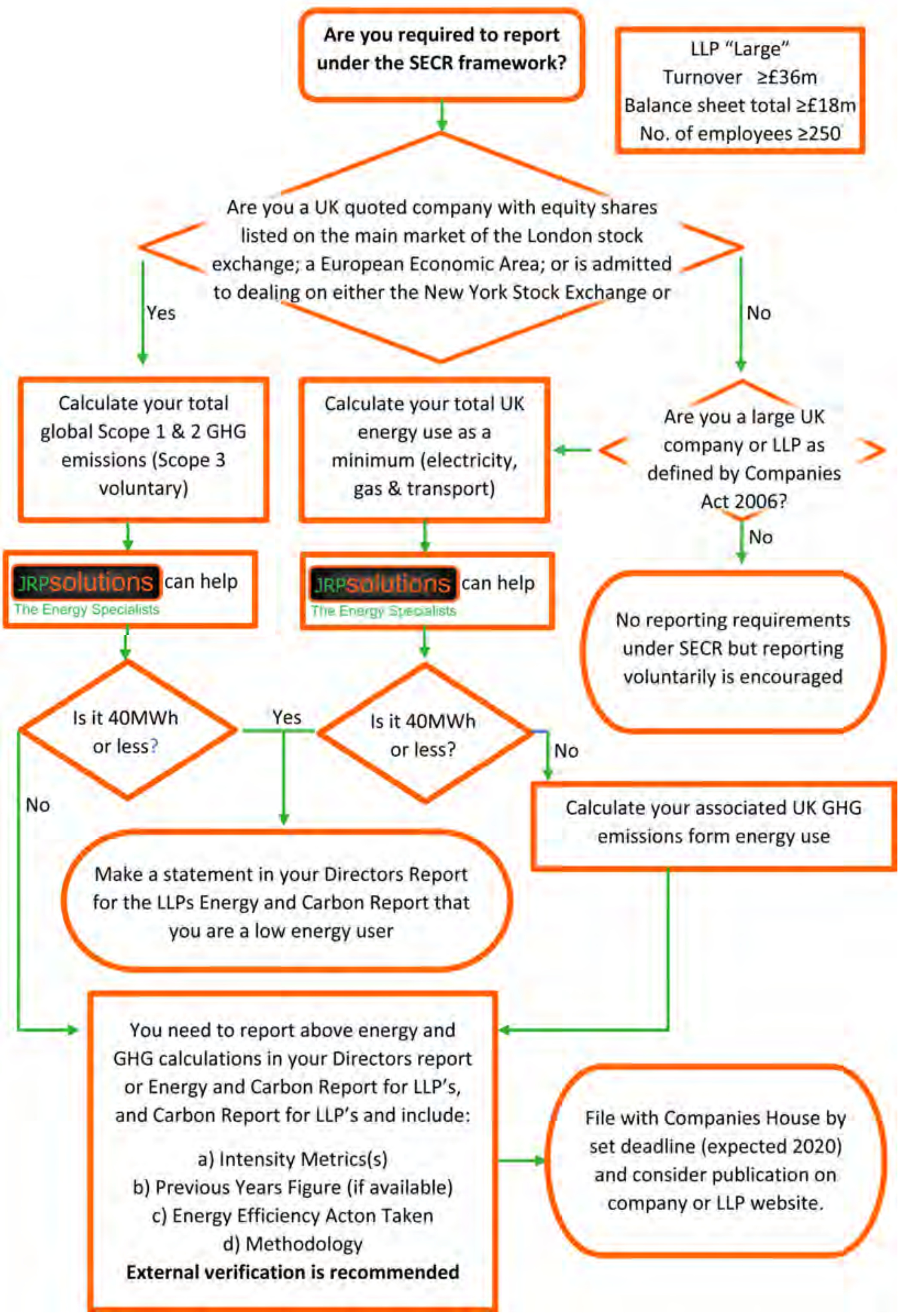
Taxable commodity	Rate from 1 April 2016	Rate from 1 April 2017	Rate from 1 April 2018	Rate from 1 April 2019
Electricity (£ per kilowatt hour (KWh))	0.00559	0.00568	0.00583	0.00847
Natural gas (£ per KWh)	0.00195	0.00198	0.00203	0.00339
LPG (£ per kilogram (kg))	0.01251	0.01272	0.01304	0.02175
Any other taxable commodity (£ per kg)	0.01526	0.01551	0.01591	0.02653

Climate Change Levy reduced rates

Taxable commodity	Rate from 1 April 2016	Rate from 1 April 2017	Rate from 1 April 2018	Rate from 1 April 2019
Electricity	10%	10%	10%	7%
Natural gas	35%	35%	35%	22%
LPG	35%	35%	35%	22%
Any other taxable commodity	35%	35%	35%	22%

A statutory instrument will be introduced before April 2019 to amend the formula in the Regulations.

Note 4: Does SECR apply to my organisation?



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Note 5: First reporting period

SECR applies to reports for financial year starting on or after 1 April 2019. The first report therefore is expected to be filed with Companies House in 2020.

Usual reporting year	The first financial year SECR compliance date
1 Jan to 31 Dec	1 Jan 2020 to 31 Dec 2020
1 April to 31 March	1 April 2019 to 31 March 2020

Note 6: High level description of energy consumption reduction actions

The report must contain as a minimum:

- UK energy use (to include as a minimum electricity, gas and transport)
- Associated Scope 1 and Scope 2 greenhouse gas emissions
- At least one intensity ratio (example: kWh per unit of production)
- Information about energy efficiency action taken in the organisation's financial year
- Calculation methodologies used to produce the figure within the report
- Previous year's figures for energy use and GHG emissions (not the first year)

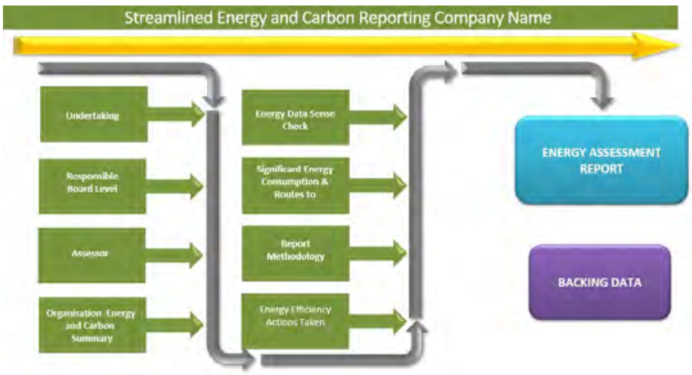
If you qualify to report under SECR but you are a low energy consumer, a detailed report as described above is not required. Instead you should state in a relevant report that you are a low energy user and have not reported for this reason.

How can JRP Solutions help you benefit from SECR?

JRP can help both to meet the reporting requirements and to improve energy efficiency and reduce greenhouse gas emissions. The extent of our help will depend on whether your organisation just wants to comply with the requirements of SECR or actually to achieve energy efficiencies.

We have created a purpose built SECR Reporting Tool that will simplify the reporting process as it will just need to be updated every year.

The SECR Reporting Tool collates all information required for a SECR Report in one comprehensive, user-friendly central hub for all your SECR compliance data, analysis, records and supporting evidence, allowing all data and documents to be easily stored, viewed, referenced and linked. Information is presented clearly, consistently, and is easy for all stakeholders to understand.



From the information collected from our customer, the tool calculates energy and greenhouse gas emissions and also supplies backup information to the authorities should they wish to investigate further. The output from the tool is a PDF Director's report which is either placed directly into the customer's annual directors' report or the customer would extract the information from the directors' report to put into their own document.

3.1	GHG Emissions Scope 1,2,3			
Intensity Ratio Based on Scope 1 & 2 Emissions	Proformance Indicator	GHG Emissions	Intensity Ratio	Variance
	Staff	(tCO2e)	(tCO2e / employee)	(%)
Current Reporting Year 2019	817	720.97	0.8825	-4%
Previous Reporting Year 2018	801	738.97	0.9226	2%
Baseline Year 2017	805	729.97	0.9068	NA

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As with other energy and carbon related reporting such as CCA's or EU ETS we can help to manage and administer SECR on your behalf either on a one off basis or on a retainer or as part of our Site Energy Support service.

If you organisation is committed to making energy efficiencies, thereby offsetting increases in gas and electricity costs, we can help prioritise, develop and implement identified energy reduction opportunities. We can:

- Help **prioritise, develop and implement identified energy reduction opportunities**.
- **Optimise existing MM&T** systems to ensure more robust energy data collation, improved reporting, verification of the performance of implemented projects and better day to day management of energy.
- Use the international protocol IPMVP to **verify actual performance** of implemented projects particularly those installed and managed by third parties.
- Provide **energy behaviour training** to encourage greater individual and collective awareness, responsibility and actions to deliver a sustainable return on investment.
- Help to develop and implement an appropriate and effective **Energy Management System** (EnMS) e.g. **ISO 50001** to ensure a consistent approach to managing energy and to further reduce energy consumption and costs.
- Help evaluate the potential for **on-site generation**, CHP or renewables, and act as an independent expert assessor of technical solutions and relevant MF1 contracts, O&M Agreements and EPC's.

SECR is very much about looking back, not forward (like ESOS). So for companies who haven't used ESOS to implement energy projects, they will have nothing to report in SECR. Allowing JRP to manage the introduction of an energy saving project within a reporting year and prove its success through IPMVP, using the SECR mandatory energy reporting data, would bring the greatest value to an organisation. This approach will deliver top quality reports for the company which can be included in full, or in part, in their SECR directors report.

Call us on 0800 6127 567 to discuss your requirements.