Introduction- Streamlined Energy & Carbon Reporting Consultation

What is your name?

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If you enter your email address then you will automatically receive an acknowledgement email when you submit your response.

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What is your organisation?

IEMA – The Institute of Environmental Management and Assessment

Are you:

- (•) A. internal to the organisation (e.g. an employee, manager, director)
- ( ) B. an external party nominated to respond on behalf of the organisation

Consultation Questions

1. Do you agree that the proposed energy and carbon reporting policy should apply across the UK?

- (•) Yes
- ( ) No

Please explain your answer here;

IEMA would like to see consistency through a reporting requirement set across the UK. This would provide businesses with greater certainty and confidence. Devolved Administrations also have an important role and in some other cases already set additional requirements (for example the public-sector reporting duty in Scotland).

In the future Devolved Administrations may wish to consider enhancements to a basic SECR reporting framework such as guidance on specific considerations[1]. This should not conflict with UK approach or guidance. Consistency and complementarity will be essential.

Providing UK wide consistency in minimum approach would be beneficial to businesses, setting a 'level playing field' for all qualifying companies across the UK.

2. Do you have any comments on the analysis set out in the Impact Assessment (which will be published shortly)?

YES

If yes, please comment here, explaining your answer:

In our response to the 2015 HMT/DECC consultation, IEMA commented that "any reformed policy landscape should seek to achieve equivalent or higher carbon reductions than those projected for the existing schemes and policies". There was concern that a 'lighter touch' simplified policy landscape could be less effective on its environmental outcomes. We proposed that the Government's review should, as a central objective, seek to increase overall carbon reduction impact (beyond the combined levels projected for existing policies) and that proposed replacement policies should (together) be transparently impact assessed against this principle. The IA appears to address this by using the continuation of the CRC as a counterfactual and this is welcomed.

As mentioned, the IA states in its headline summaries that the counterfactual is pre-budget 2016. This would mean that the baseline for every quantified table in the Impact assessment is against CRC continuing with full scheme and allowance price (which at £16 Tonne is a very significant price signal to over 4,000 organisations). On this basis there is some confusion concerning how the proposed options can 'out-perform' the counterfactual. Professionals working within the current CRC regulation have calculated that after the scheme's closure the loss of the allowance price will significantly reduce their internal business case for electricity efficiency measures and will also reduce the financial case for gas efficiency measures. The tables do not generally label (clearly show) this comparison and it is hard to gauge whether this reduced-price signal for the option 2 (threshold population) is always fully considered.

It is positively noted that the IA considers CRC legacy savings which continue to occur after the scheme ends in 2019. There is less certainty however around the basis for assessing energy savings potential within the 4,000 organisations in option 2. Professionals have observed that because this group have already experienced CRC regulation, they will have secured many easy wins in energy efficiency (so

[1] *An existing example in project level GHG accounting is the 2008 Scottish Government guidance concerning windfarms on peat lands - http://www.gov.scot/Publications/2008/06/25114657/15*

called low hanging fruit energy efficiency savings). This is well evidenced through professional experience of the effective (rules heavy) CRC scheme and is further supported by independent review of the CRC which has identified its policy success[2]. Professionals have questioned if this 'pre-achieved' energy saving within the 4,000 (option 2) organisations may not be sufficiently addressed within the Impact Assessment's future projections. Many have suggested that options 3 and 4 will offer the largest (relative) potential for efficiency gains because they have not yet had any policy driver other than the very recent ESOS requirement. It is not fully clear if these considerations have been factored against the two populations in question.

A further point questioned is the calculation around positive impact from the CCL rate changes. Many have suggested that the CCL price signal (diluted across a large group) will have very low visibility in contrast to former CRC allowance price on a targeted population. It is noted that the calculations around CCL delivering energy and financial savings are pivotal to the assessed overall net benefit within the IA.

On separate matters, it is stated within the consultation paper paragraph 3.12. that enforcement of SECR in relation to compliance with statutory reporting requirements would sit within the wider remit of the Financial Reporting Council. However, the Impact Assessment appears to counter this, stating in paragraph 97: "Monitoring of non-financial reporting is undertaken by the Financial Reporting Council, and looks for false/reckless disclosures but <u>does not check non-financial content</u>. It is not proposed that additional monitoring or enforcement activities are added to this regime". Following the recommendations of the Financial Stability Board's industry-led Taskforce on Climate-related Financial Disclosure (TCFD), climate related financial disclosures should in future increasingly fall under the remit of the Financial Reporting Council (FRC) and crucially, this should be underpinned with more effective and robust enforcement.

In terms of further evidence on the value of reporting

1) IEMA has provided earlier evidence on the costs and benefits of reporting, for example within our 2015 consultation response to HMT[3] and

2) IEMA has included more recent survey response data from professionals in question 10 below (regarding the financial pay-back period following introduction of reporting requirements)

We would welcome any additional evidence on costs and benefits to support a final assessment of impacts. Please contact us at reporting@beis.gov.uk if you would like

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[2] *June 2015 - Review / evaluation of the CRC Energy Efficiency Scheme - undertaken for DECC by CAG* *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445719/CRC_evaluation_synthesis_report_FINAL_150709.pdf*

[3] *IEMA response to HMT DECC consultation – 2015 -* *https://www.iema.net/assets/templates/documents/iema_consultation_response_reforming_the_energy_tax_landscape1_vs_2.pdf*

to discuss our assumptions or provide us with additional sources of evidence, or if you would be interested in attending any analytical workshops we may hold.

3. Do you agree that reporting should be done through annual reports?

(•) Yes

( ) No

Please explain your answer here:

IEMA is supportive of a transparent disclosure approach within mainstream annual reports. We see this as a supportive policy driver that places an obligation on organisations to understand (and in turn manage) their energy consumption and carbon (GHG) emissions. We have outlined this within our 2014 Climate Change and Energy Position Statement[4] as well as in earlier work and consultation responses to Defra, DECC and to HMT[5].

In addition to mandatory GHG reporting within Directors' Reports, wider environmental information should already be disclosed when material to an organisation. Existing rules through the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, require companies to disclose information about appropriate environmental matters within the Strategic Report. The purpose is to inform members of the company and help them assess how the directors have performed their duty under section 172, to promote the success of the company. According to the Act, an applicable company's Strategic Report must already include a non-financial information statement containing information, to the extent necessary for an understanding of the company's development, performance and position and the impact of its activity. The Financial Stability Board's Task Force on Climate Related Financial Disclosures[6] has further recommended that climate-related financial disclosure be integrated within mainstream reports.

Business will benefit from simplification and clarification in this area, ensuring information disclosed in mainstream reports includes forward-looking disclosures (e.g. about risks, dependencies and corporate targets) as well as important performance data on energy and GHG emissions.

IEMA has worked extensively with carbon and energy professionals to build evidence and understanding of the effectiveness of climate related reporting[7]. We

[4] *IEMA Climate Change and Energy Position Statement – 2014 - https://www.iema.net/assets/templates/documents/position_statement_climate_change_and_energy_v4.pdf*

[5] *IEMA response to HMT DECC consultation – 2015 - https://www.iema.net/assets/templates/documents/iema_consultation_response_reforming_the_energy_tax_landscape1_vs_2.pdf*

[6] *TCFD – Task Force on Climate Related Financial Disclosures - https://www.fsb-tcfd.org/publications/final-recommendations-report/*

[7] *2010 Defra Report to Parliament outlining evidence on the role and value of GHG reporting – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69262/pb13449-corporate-reporting-101130.pdf and Defra - Final Regulatory Impact Assessment – Mandatory GHG Reporting- https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/82354/20120620-ghg-consult-final-ia.pdf*

believe it is essential that public reporting for energy and GHG emissions is mandated and is mainstreamed within company reports to provide visibility.

If yes, would either of the following, forming part of companies' annual reports, be better suited?

- (selected) a) Directors' reports, or
- b) Strategic reports, or
- c) a new, bespoke report

Please explain your answer, note any issues you see with using these reports, and provide any comments on how proposals might best fit within annual reports regime:

It would make sense to incorporate energy and carbon (GHG) reporting into the Directors' report, complementing the Companies Act 2006 Mandatory GHG Reporting regulations for quoted companies. This is likely to be the simplest development, offering consistency and evolution in approach. Longer term, we do not have a fixed view on where data should be disclosed, as long as it continues to be visible and mainstreamed. Currently the Directors' report feels like the most appropriate reporting option and (as with financial performance data) will allow for a complimentary read across to the strategic reports, where wider environmental disclosures are likely to increasingly feature (building upon recommendations from TCFD). To increase corporate transparency and better allocation of capital, GHG data should increasingly be complemented by forward-looking information in strategic reports, explaining how a business will effectively adapt its strategy and business model to be part of the transition to a low-carbon and resilient economy.

It is worth noting that within Directors' Reports, quoted companies already disclose all scope 1 and 2 emissions (not just electricity and gas as proposed in this BEIS consultation) and for all international emissions. These companies have established extensive internal systems, so it will be important that the new requirement allows them to carry on reporting with minimal change.

In addition, Directors' reports go through a legal audit and assurance process to ensure that financial data is accurate. Given the reputational implications of any non-financial data being incorrect in these publicly available reports, it is likely that large companies will want some level of external audit / assurance on disclosed energy and GHG data. In this context, disclosure within the Directors' report may also simplify and remove an enforcement burden on government for data completeness checks (e.g. in contrast to the external audit requirement of the existing CRC).

4. Do you agree that from 2019 energy and carbon reporting to Companies House should be electronic?

If yes, please specify any digital formats such as XBRL / iXBRL that may be suited to this purpose, and any opportunities and challenges these may present:

Digital reporting should be investigated as an innovation more widely (not just limited to energy and GHGs).

Implementing a requirement for digital reporting for climate change-related information alone would separate environmental information from financial information, which would be against the interests of anyone seeking to understand the overall performance of a company. We would not support this.

However, we support proposals that BEIS and Companies House work with the FRC to explore electronic reporting across all types of corporate disclosures. Such reporting measures are currently being considered in the European Union, as outlined in the Transparency Directive (European Single Electronic Format) and are already in place in the United States, Australia and many other major economies.

Potentially an option for digital reporting could be developed and offered to businesses and with the expectation that this will become the norm after an agreed date (but only if the energy and GHG data is still reported with financial and other mainstream information). A central objective could be to seek a body of data which is accurate, credible and accessible.

5. Do you agree that the government should seek to establish a mechanism for collating published energy and carbon data for example via a central published report or tool?

- (•) Yes
- ( ) No

Please explain your answer:

This response is a guarded yes with caveats outlined below.

Following our final consultation webinar we posed the following statement to over 200 professionals. The position in this statement was agreed by 93% with only 3% disagreeing. -- *The consultation asks if you agree that the Government should seek to establish a mechanism for collating published energy and carbon data, for example via a central published report or tool. IEMA members have provided mixed responses. Many support the concept; however, there are concerns that this could add some unnecessary administrative burden, and that comparability of data will not be straightforward. The proposal could provide some valuable visibility and transparency, as long as the system is simple for businesses and includes clear guidance on data limitations. With these caveats, IEMA supports further investigation of the proposal by BEIS.*

Collating data can help to increase visibility and stakeholder interest, which (in turn) could be valuable in maximising the environmental and business benefits associated with mandatory reporting. However, trying to compare GHG or energy data between businesses in any one year is not straightforward. For example, they may use different approaches to collating and accounting for GHGs and energy data (such as either a financial control or operational control approach). Making a meaningful annual comparison between businesses will be challenging, unless supported by either strict scheme rules (which is not seen as likely at this time) or sector approaches with the development of relevant metrics.

Arguably of more value is the visibility and comparison for the business to profile its own environmental, efficiency and productivity improvement performance over time (reflected in annually reported GHG and energy use). On the reasonable assumption that most businesses do seek to develop and maintain an internal consistent approach, measured improvement over time could be usefully collated and made available for analysis by Government and other stakeholders. Improvement over a reasonable period rather than every year may offer a better basis for useful comparison.

IEMA believes that an approach should be investigated, but only implemented if there is confidence in the system that is scoped. Such an approach could potentially harmonise with a phasing in of mandatory electronic reporting of both environmental and financial company data. If a central mechanism is to be scoped, then early dialogue with CDP and organisations like IEMA would be valuable.

6. Do you think that the policy should apply to:

- [x] A) all 'large' companies based on employee numbers and financial tests;
- [ ] B) companies who meet the 6GWh ex-CRC annual electricity use threshold described; or
- [ ] C) another threshold?

Please explain your answer. Please state if you have any views on whether reporting should be required to operate at the group or individual company level:

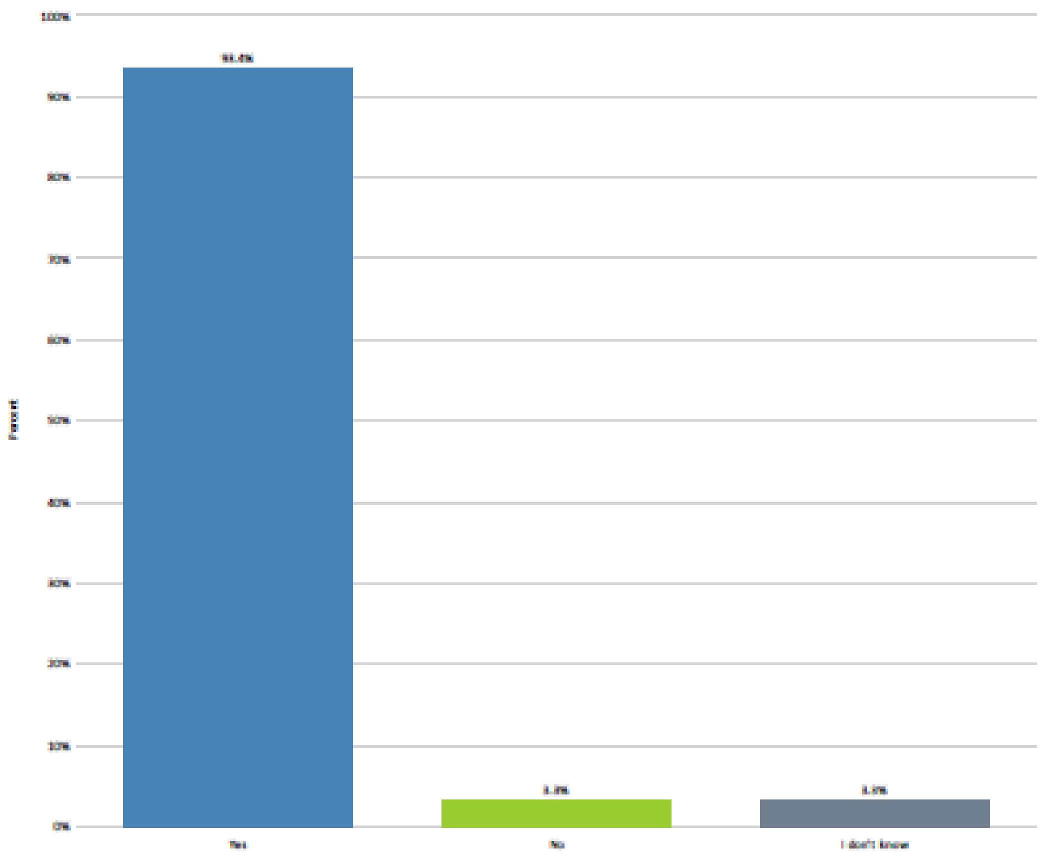
IEMA believes the policy should apply to all large companies. We consulted widely with leading professionals to road-test this position holding four workshops (with 70 attendees) and culminating with a webinar (205 participants).

In the webinar we ran 'in-session' polls on related questions. The 'market failure' referenced in the consultation document and Impact Assessment, is recognized in practice by experienced professionals. There was agreement that companies will continue to ignore opportunities to save energy if there are no external policy drivers (70% agreed). There was also strong support for expanding and widening reporting coverage as the focus of policy simplification (if forced to choose - 75% believed it would be better to increase number of companies reporting rather than to extend the scope of disclosure for current reporters). To resolve this information gap, there is now wide support for a simple level of reporting by all large businesses (evidenced in two separate graphs below);

3. Do you agree with this proposal?

The BEIS consultation includes a proposal that Reporting remains mandatory for all UK quoted companies, and will also become mandatory for either a) all 'large' UK companies (around 9,100), b) UK companies who use more than 6GWh of qualifying electricity in a year (around 4000 organisations) or c) UK companies who use a different use threshold.

IEMA plans to support option A (all large UK companies) to achieve the widest uptake of the policy and its associated benefits.



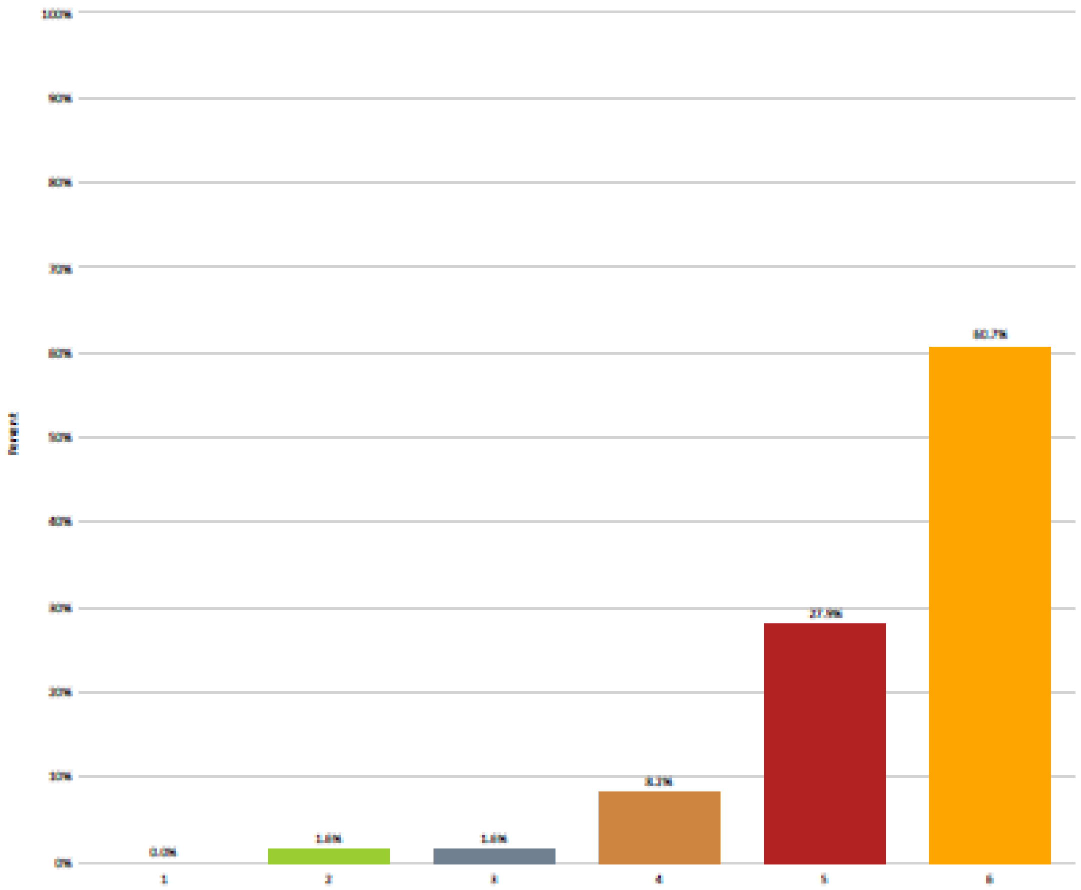
Name	Percent
Yes	93.4%
No	3.3%
I don't know	3.3%
N	61

MEMBER QUOTE FROM SURVEY - *“I was previously employed by a quoted company as the Sustainability Manager. The MGHG Reporting Regulations were critical to driving the company's commitment to sustainability. This one piece of legislation was the key factor that focused the Board's attention on Sustainability and that in turn evolved into a wider sustainability strategy to improve performance”*

IEMA webinar on BEIS Streamlined Energy and Carbon reporting (SECR) Consultation - Post Webinar Survey

1. Using the following 1-6 scale to what extent do you agree with this statement? (1 = Strongly Disagree, 6 = Strongly Agree). Click on the slider below to activate it and log your response.

IEMA believes that a mandatory requirement for annual public energy and GHG reporting is a positive development for large UK businesses, which will work in combination with existing policies and support carbon reduction, business efficiency and productivity.



Name	Percent
1	0.0%
2	1.6%
3	1.6%
4	8.2%
5	27.9%
6	60.7%
N	61

The internal energy management decision-making dynamic (and sometimes its absence) is understood to be challenging. Exemplified in the above graphic, professionals have strongly indicated that a mix of policy drivers can work synergistically, to elevate the profile of energy and GHG emissions. The primary view from these professionals is to support combined supportive policy drivers (e.g. fiscal incentives alongside reporting drivers). There is for example concern that the fiscal driver now spread across a very large CCL population will be diluted (far less visible in business cases).

Specifically, in the context of this consultation question, there is a strong profession based support for extending a simplified reporting requirement to all large businesses. This will help address the market failure / decision making failure for a large cohort of businesses and not just for environmental reasons i.e. will also support their efficiency and productivity. The extension to all large businesses is proportionate, especially if the requirement is kept simple in scope (e.g. in line with ESOS which is an existing requirement on this group of businesses).

A further reason for extending into this group is that the numerically smaller group (threshold option B) have all been exposed to CRC regulation in recent years and therefore will have secured some of the larger / easier early wins in energy efficiency (so called low hanging fruit energy savings). This is well evidenced through professional experience of this very formal and regulated scheme and supported by independent review of the CRC which has evidenced its policy success[8]. Professionals have suggested that this 'pre-achieved' energy saving within option B may not be sufficiently addressed within the Impact Assessment assumptions.

There is a wide belief amongst professionals that option A is where the largest (relative) gains can be achieved, with some going further and suggesting there is no reason why SMEs are should not also be included (on basis that their smaller scale / reduced complexity makes the reporting burden minimal). IEMA is not proposing this (SME) extension and we feel that voluntary approach, guidance, incentives, sector agreements and procurement requirements can all offer good potential to support progress within SMEs. IEMA strongly advocates option A (all large companies) as the audience for a simplified energy and carbon reporting requirement.

Companies Act Definition

The definition of 'large' companies could be the same as it is for accounting purposes **under the Companies Act 2006** where two or more of the following criteria apply to a company within a financial year:

- More than 250 employees
- Annual turnover greater than £36m
- Annual balance sheet total greater than £18m

These thresholds are set out in sections 465 and 466 of the Companies Act 2006 and are updated from time to time. If the Government were to take this option, it would propose to keep pace with any such updates. At group level the financial thresholds are on an aggregate basis.

ESOS Definition

[8] June 2015 - Review / evaluation of the CRC Energy Efficiency Scheme - undertaken for DECC by CAG https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445719/CRC_evaluation_synthesis_report_FINAL_150709.pdf

Alternatively, the definition of ‘large’ companies could **be the same as it is in ESOS (which is derived from the requirements of Article 8 of the Energy Efficiency Directive).** This definition uses different thresholds for ‘large’, and a different approach to corporate groups, and smoothing provisions*, than is provided for in the Companies Act. Those in the scope of ESOS are called ‘Relevant undertakings’ and include the following companies which we would consider ‘large’ for the purposes of our reporting framework:

1. companies which employ an average of 250 or more people in a certain 12 month period, or an annual turnover in excess of €50m and an annual balance sheet total in excess of €43m, and
2. where undertakings do not satisfy the specified employee or financial thresholds, but are either the UK parent of a ‘large’ undertaking, or a UK subsidiary of a ‘large’ UK undertaking, or a UK subsidiary of a parent who has a ‘large’ subsidiary.

*See section 1.6, p.13 of the ESOS compliance guidance.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466515/LIT_10094.pdf

7. If you prefer Population Approach A (all ‘large’ companies) which of the proposed company size definitions seems the most appropriate to you:

- (●) Companies Act 2006, or
- ( ) ESOS, or
- ( ) any others?

8. If you prefer Population Approach C, which energy use threshold is most appropriate?

Please explain your answer, and state who you think should be required to report, describing any other energy threshold(s) you may favour (with options including but not limited to 6GWh per year across all energy products, and 500MWh per year for each of electricity, gas, and transport).

9. Should reporting requirements within the Companies Act regime also apply to Limited Liability Partnerships (LLPs)?

- (●) Yes
- ( ) No

Please explain your answer:

On balance we do not see any major reason for LLPs to be excluded. There may be some scale concerns and in this regard, some have suggested that BEIS consider an equivalent threshold criteria for LLPs.

10. Please state where you agree that UK quoted companies should continue, or start to report, on one or more of the following:

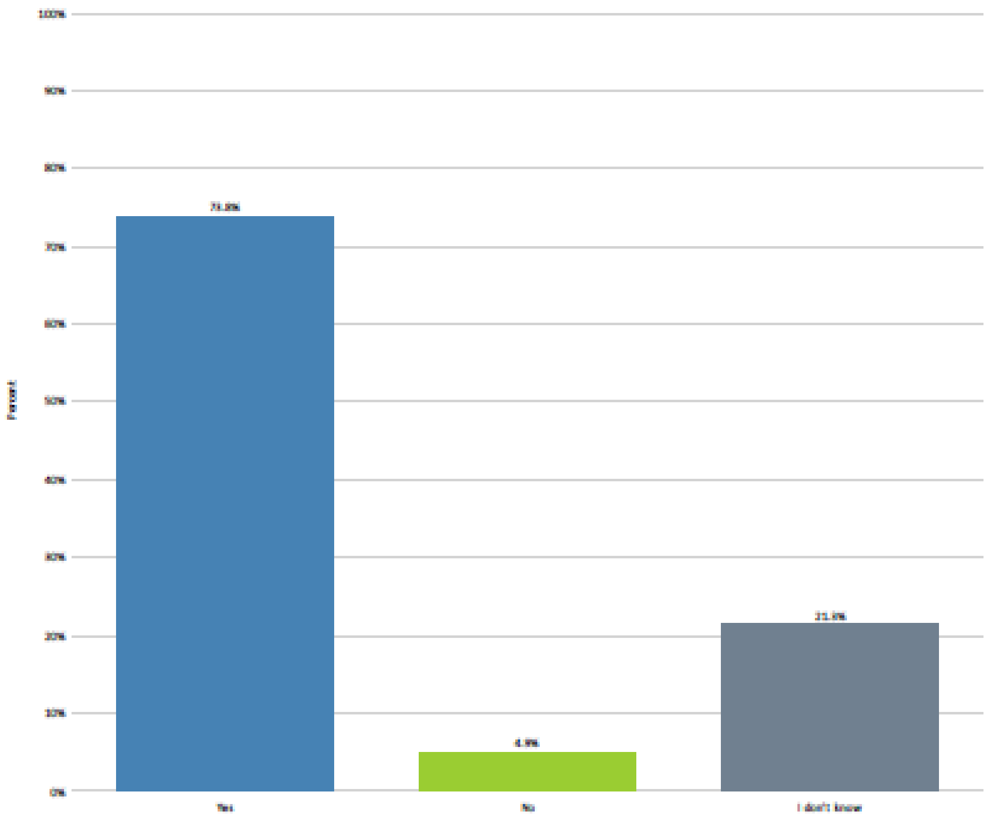
- ☑ global Scope 1 and 2 GHG emissions
- ☑ an intensity metric
- ☑ start to report on global total energy use

Please also provide any views and evidence on the effectiveness of the current mandatory GHG reporting regime in improving corporate transparency, reducing energy use, and reducing emissions, here:

Within our IEMA webinar we tested the following response on quoted companies and their reporting.

4. Do you agree with this proposed response?

IEMA supports the proposal for UK quoted companies to begin reporting on global total energy use. Quoted companies are already required to report on global scope 1 and 2 GHG emissions along with an intensity metric. Adding total global energy will not add a significant burden on reporting as this information is already collated.



Name	Percent
Yes	73.8%
No	4.9%
I don't know	21.3%
N	61

We believe that Quoted companies should report on each of the criteria outlined. Doing so ensures that energy and carbon consumption data is presented at board level within organisations and will continue to give the subject prominence to gain financial support when implementing reduction/improvement projects as well as to provide transparency for investors.

In most cases adding total global energy use should not add significant burden on reporting as the information is already collated to calculate global carbon emissions. Some energy intensive companies may have concerns in terms of process or in some cases around commercial confidentiality. If commercial concerns are identified in relation to total energy disclosure, a comply or explain approach may be considered and help. Total energy reporting however should be progressed and included in requirements.

UK companies have consistently shown strong performance on both disclosure and climate action in part due to the strong policy signal sent by the UK government in requiring quoted companies to report global greenhouse gas emissions. However, the UK's guidance to companies on how to report GHG emissions, climate risks and opportunities is now outdated and should be improved. The guidance should continue to address both voluntary and statutory reporting and include reference to wider GHG removals as well as emission reduction[9]

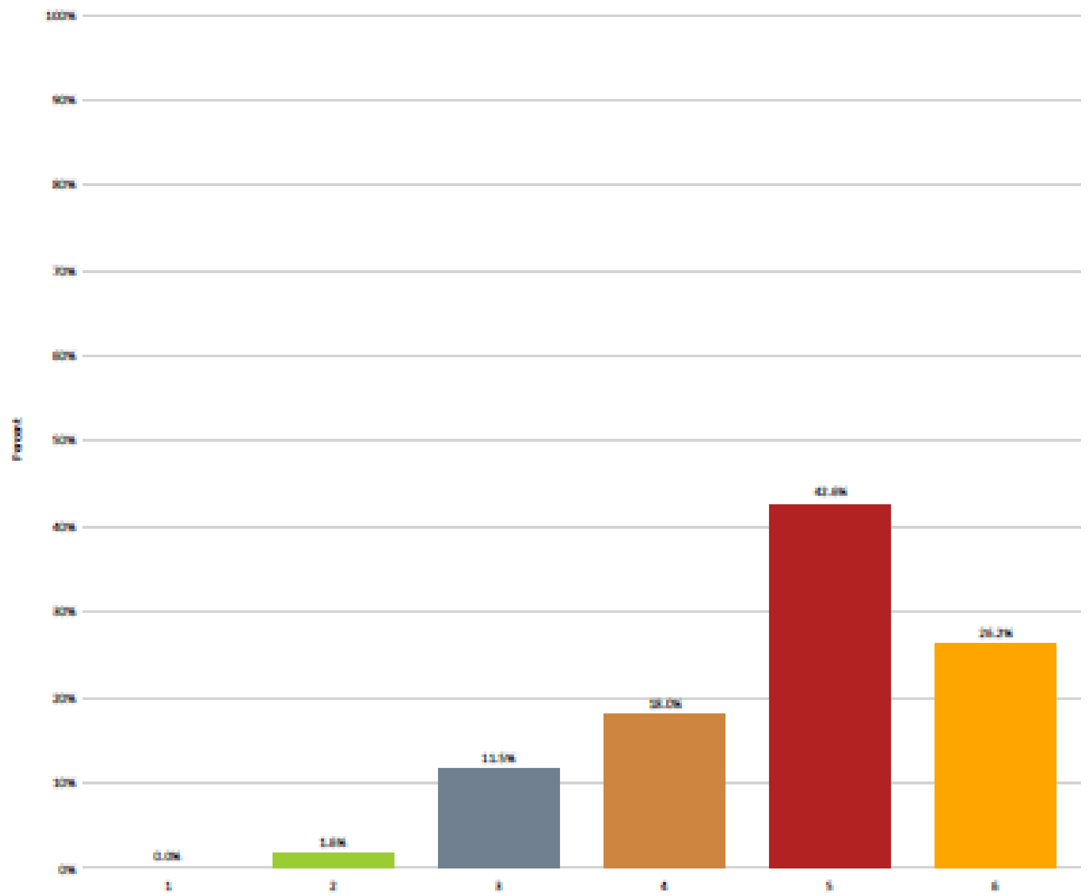
In order to increase corporate transparency and better allocation of capital, greenhouse gas emissions data should be complemented by forward-looking information that explains how a business will effectively adapt its strategy and business model to be part of the transition to a low-carbon economy required within the Paris Agreement. This principle lies at the heart of the TCFD recommendations, and is also used by the government of France in its corporate reporting requirements under Article 173 of the Energy Transition and Green Growth Law. The EU High Level Expert Group on Sustainable Finance has recommended that this approach is incorporated into European disclosure requirements as part of the European Commission's review of the Capital Markets Union.

Through our engagement IEMA also sought views on the pay-back and cost effectiveness of reporting and related internal approaches. The following survey question is indicative that mandatory GHG reporting (along with CRC) has proved effective. The projection is that new reporters should secure similar savings in energy and productivity (financial pay back within 3-5 years) .

[9] *Defra GHG reporting guidance has usefully included reporting formats / annexes with accounting approaches for nature and land based GHG removals (notably incorporating the woodland carbon code) - https://www.forestry.gov.uk/carboncode*

2. Using the following 1-6 scale to what extent do you agree with this statement? (1 = Strongly Disagree, 6 = Strongly Agree).

Based on experience of implementing recent UK Government policies (notably GHG reporting, CRC and ESOS), IEMA members have indicated that internal Energy and GHG reduction approaches should be cost neutral or net-positive within 3-5 years for most 'new reporting' organisations.



Name	Percent
1	0.0%
2	1.6%
3	11.5%
4	18.0%
5	42.6%
6	26.2%
N	61

11. Do you agree that UK unquoted companies in scope should report on one or more of the following?

- ☑ a) total UK energy use
- ☑ b) Scope 1 and 2 GHG emissions associated with UK use
- ☑ c) an intensity metric

Please explain your answer:

IEMA agrees that UK unquoted companies should also report on all 3 proposals. All are relatively straightforward to report against in terms of a simplified regime. All 3 also complement and fall well within the requirements of existing policies (ESOS and Mandatory GHG reporting). Impact on climate is a public-interest matter with everyone in society affected, regardless of legal structure or listing of a company (in this context, there is no reason why private companies or LLPs should be exempt).

A significant consideration is the value in disclosing total energy use as an additional informative metric (not just environmentally but also for finances, economic efficiency and productivity). In addition, there is currently some confusion around scope 2 GHG accounting which would to some degree be mitigated with the additional disclosure of total energy. Total energy reporting will be a valuable metric for encouraging energy efficiency in addition to fuel switching and renewables.

In relation to scope 2 accounting confusion, IEMA tested this through an 'in-session' poll question within our webinar. The response is below;

Regarding Scope 2 electricity consumption, how does your organisation account for GHG emissions ?	
Location based (grid average)	43%
Contract / market based (e.g. green or zero tariff)	11%
Both (dual accounting)	18%
Not sure	28%

The variation in accounting approaches by this informed audience is clearly indicative of an even wider confusion in relation to scope 2 GHG accounting. UK energy and GHG reporting through both the CRC scheme and also the Defra guidance for mandatory and voluntary GHG reporting has been clear and prioritised location based / grid-average accounting. However widely used international guidance from the GHG Protocol has now moved towards dual accounting[10]. Meanwhile, some new international schemes are prioritising contract or market based approaches and similar approaches are developing within the UK and have caused some confusion for GHG reporters[11].

Updated UK guidance would be helpful to resolve and provide clarity on this scope 2 GHG accounting issue. In addition, professionals strongly support the need for new guidance by BEIS to help businesses understand and prepare for the new simplified reporting requirement. This is essential in terms of supporting consistency (the level playing field), minimising any burden on businesses, helping them to understand

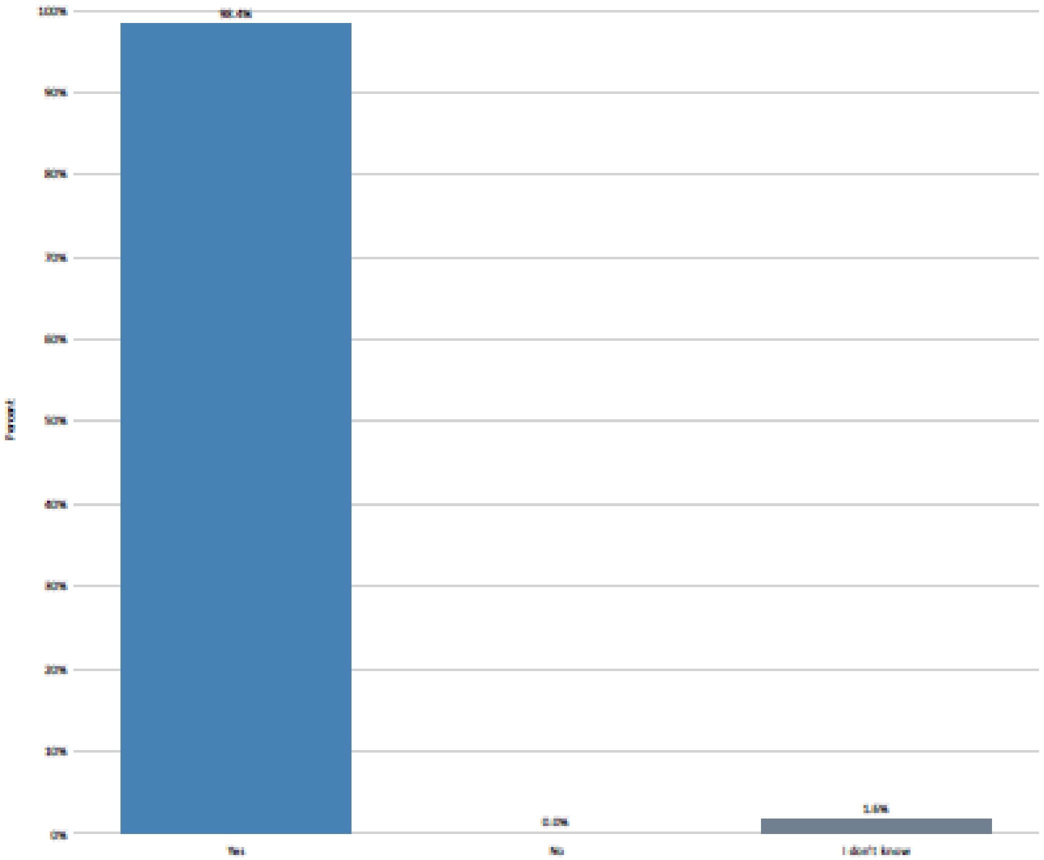
[10] *WRI GHG Protocol Scope 2 GHG accounting guidance - http://www.ghgprotocol.org/scope_2_guidance*

[11] *Green Gas Certification - https://www.greengas.org.uk/*

new requirements and prepare for them in an efficient and timely manner. It will be helpful in introducing and explaining intensity ratios and metrics, addressing complications and provide clarity. It can draw reference to and complement existing guidance, but as demonstrated there is confusion within existing practice. Updated UK Government guidance would therefore be a welcome development and professionals' support for such guidance is exemplified below;

11. Do you agree with this proposed response?

The BEIS consultation asks a question about what guidance, tools and data may be required to support companies. IEMA will respond and request that BEIS develop appropriate guidance. Although a range of guidance and standards on reporting does exist, guidance specific to this new requirement will be important in reducing administrative burden and in helping businesses to achieve positive energy and financial savings.



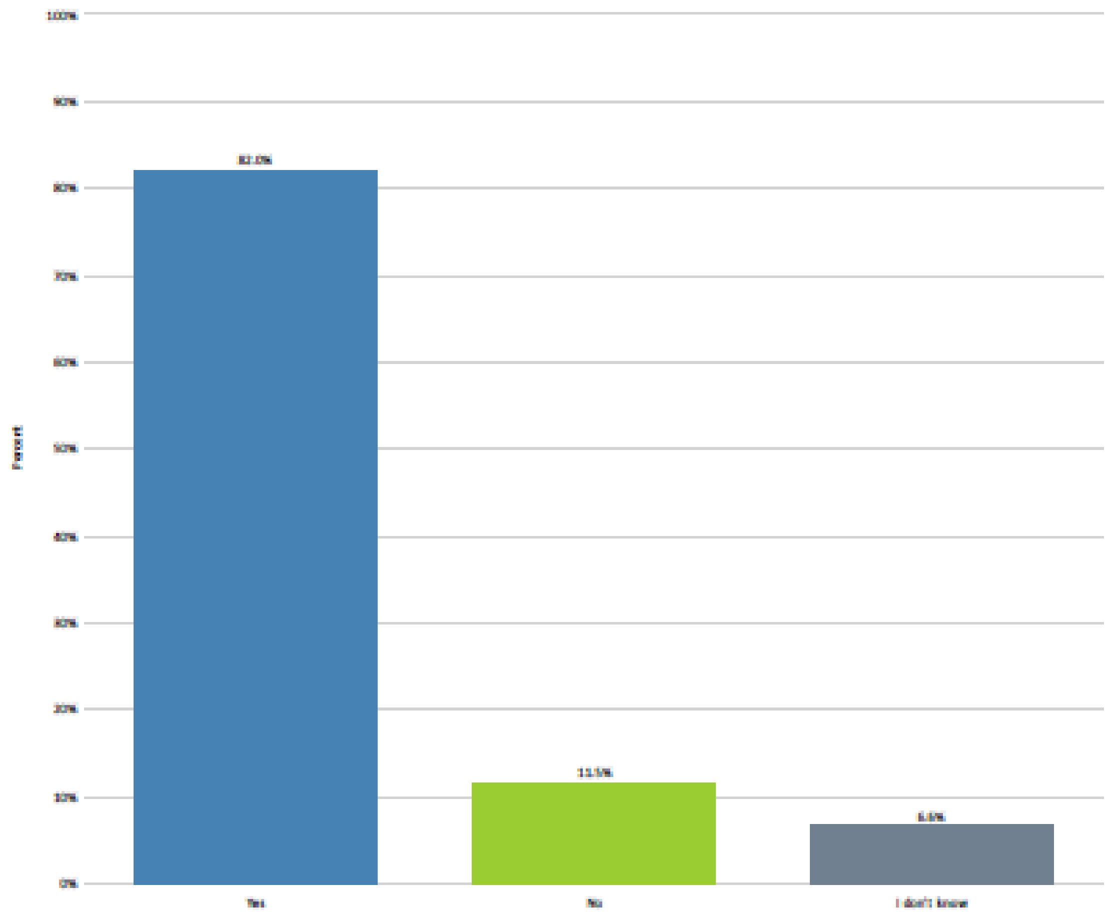
Name	Percent
Yes	98.4%
No	0.0%
I don't know	1.6%
N	61

Do you agree that only electricity, gas and transport energy should be in scope for unquoted companies? Please explain your answer, and if no please set out what you think the scope should be:

When asked to choose, professionals recognised extending reporting to a larger audience as a priority ahead of increasing reporting scope (i.e. keeping it simple but requiring larger uptake). However, many also support the idea of additional sources within a mandatory requirement. One suggestion is that this might be appropriate if a source exceeds a significant / material threshold. There are mixed views, but potential examples include the importance of red diesel within the construction industry or scope 3 business travel for consultancies. The survey response to this question is provided below;

5. Do you agree with the suggestion to extend the requirement to include additional sources, when these are especially large / significant (e.g. to include any single additional source if it accounts for over 10% of the organisation's total estimated GHGs)?

The BEIS consultation asks if you agree that only "electricity, gas and transport should be in scope for unquoted companies". IEMA supports this limited scope for organisations new to reporting. However, many members have suggested a requirement that organisations report additional sources when these are materially significant. Examples may include red diesel within the construction sector and business travel for some consultancies



Name	Percent
Yes	82.0%
No	11.5%
I don't know	6.6%
N	61

12. Should the government:

- ○ a) mandate the use of specific intensity metrics by sector; or
- ◉ b) propose best practice in any guidance; or
- ○ c) leave the matter to sectors, and to existing best practice and guidance?

13A. Do you think it should be mandatory for UK quoted and unquoted companies in scope to include information from the most recent audit (including energy management systems such as ISO50001) on:

i) any identified energy savings opportunities

- ○ Yes
- ○ No

ii) any energy efficiency action taken?

- ◉ Yes
- ○ No

In relation to ESOS, IEMA is supportive of a connection being made that will support and complement energy audits and energy management. Some concerns exist around disclosure of energy savings opportunities (one example comment below)-.

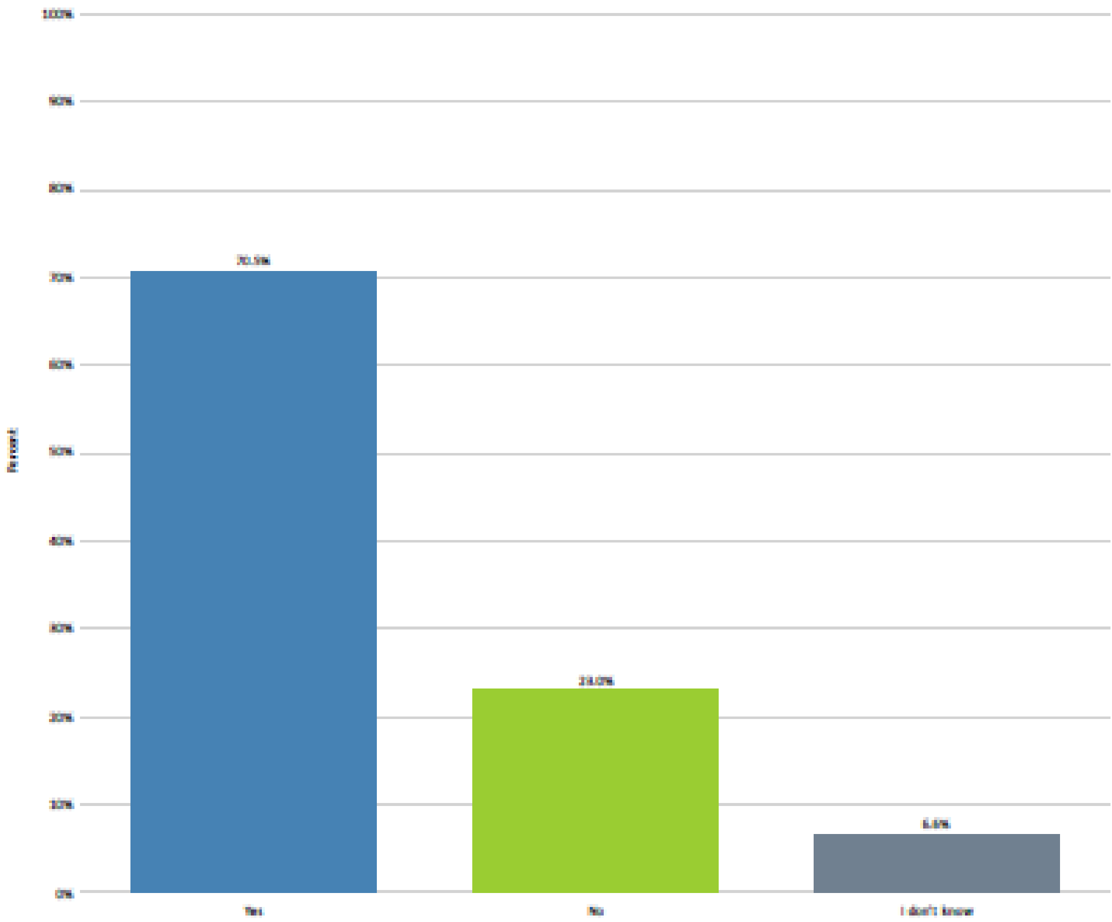
- *A future requirement to report on energy savings achieved, or predicted because of ESOS may need to be supported with a qualification - e.g. "estimated savings as advised in ESOS report", "achieved savings as determined by measurement and verification plan" … In my experience of delivering M&V services to energy efficiency projects, predicted savings are often not achieved. Any savings should be stated in energy units (e.g. kWh or MJ) not in floating values like anticipated cost savings.*

Further work will clearly be needed to address concerns and (if workable) find an effective connection. We do believe a useful connection could be possible on actions taken or on cumulative energy savings implemented and that this is worth investigating. The response from professionals is supportive of this intention and is outlined below;

7. Do you agree with this proposed response?

Regarding ESOS, the consultation asks "Do you think it should be mandatory for UK quoted and unquoted companies in scope to include information from the most recent audit (including energy management systems such as ISO 50001) on i) any identified energy savings opportunities [Yes or No] and ii) any energy efficiency action taken?

Many IEMA members support this proposal which could give extra visibility to energy saving recommendations. Some have indicated concerns about disclosure of specific commercial information. IEMA is considering supporting a connection with ESOS that will address such concerns, for example "report on the total savings achieved and / or projected for a period".



Name	Percent
Yes	70.5%
No	23.0%
I don't know	6.6%
N	61

B) Building on the energy and carbon disclosures proposed, please provide views on whether in the long-term any of the TCFD recommended voluntary disclosures should become mandatory disclosures within companies' annual reports, here:

TCFD recommendations aim to ensure companies are reporting (and by extension measuring and managing) previously ignored externalities that have potential material impacts on businesses across key sectors and (when scaled up) financial stability across markets. It is concerned with ensuring investors are not being misled by companies on future risks that would affect valuation of assets and allocation of capital.

For the recommendations to have the desired impact of facilitating financial stability, they must be taken up across the economy. While reporting at scale can be achieved by voluntary means[12], mandatory requirements will be needed in order to achieve universal disclosure to a high standard. In this context IEMA advocates the further investigation of mandatory climate reporting requirements in the UK. All TCFD recommendations should be considered.

Company annual reporting is the most appropriate medium for material climate-related disclosures so that there can be a common understanding by businesses of the potential effects of future climate change upon them.

It is acknowledged within the TCFD final report that there will be a phased approach to implementation and mandatory disclosures would be most appropriate once there has been greater adoption and further development of information provided (such as metrics & scenario analysis). Government engagement however is important to support this development in practice along with a welcome support signal (see below).

C) Please specify what support government could provide to support uptake of TCFD disclosures by companies from all sectors.

Government should consider supporting the extension, development and uptake of TCFD recommendations as part of its approach to implementing UK international climate change commitments (i.e. supporting companies as so-called non-state actors under the Paris agreement). This can include communicating to the public that the Government is committed to the adoption of mandatory disclosures in the long-term as recommended by the TCFD.

A clear future policy intention would also be of benefit in the short-term by increasing voluntary adoption, and thus helping to build a body of momentum to increase global uptake of the recommendations and showing support to other countries who are also

[12] *Reference CDP - https://www.cdp.net/en*

planning to adopt mandatory disclosures. In addition, it would send a clear signal for the market, which would help companies prepare for future requirements.

The government could also support greater uptake of TCFD recommendations through education and awareness raising exercises. Workshops could be organised and guidance developed to support businesses. Awareness should be raised within the finance functions of companies possibly through collaborative events with relevant financial regulators, accounting bodies, independent bodies such as the Committee on Climate Change and influential associations and collaborations (e.g. CDP, BSi, IEMA, ICAEW, Natural Capital Coalition, etc)

D) Reporting of what other complementary information would add most value for businesses, the market and other stakeholders?

IEMA welcomes the TCFD recommendations and would encourage the Government to consider mandatory requirements. Although TCFD recommendations are limited to the climate change scope, we would also welcome consideration to disclosure of material environmental, social and natural capital impacts and dependencies. This could assist the UK government with its national monitoring and reporting against UN Sustainable Development Goals and has current relevance for the UK Government which will imminently be launching its 25 year environment plan (DEFRA)

14. Please explain what guidance, tools and data companies might need:

i) for financial and risk managers to understand climate risks and their implications for their business:

There is wide interest in support to address TCFD recommendations from understanding and applying scenario analysis through to wider considerations (e.g. reporting on climate impacts, resilience and adaptation).

UK government has endorsed TCFD recommendations but could go further in setting expectations. As an example, the Government may consider setting a future target date for a report to parliament on the TCFD and the scope for mandatory reporting[13].

ii) for companies to implement the TCFD recommendations in financial disclosures.

Further work may well be required to scope and understand the nature of the required guidance, tools and data. As stated, government could support greater uptake of TCFD recommendations through education and awareness raising exercises. Workshops could be organised and guidance developed to support businesses. See response above at 13 C.

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[13] *A similar approach was taken in the 2008 Climate Change Act which set a requirement to report to Parliament (by 2010) on considerations about introducing a mandatory carbon (GHG) reporting requirement*

15. What other policy approaches can work with reporting to drive energy efficiency, reduce bills, reduce emissions, and improve transparency for investors so they are more able to hold companies to account?

We are in particularly interested to hear about any implications of potential complementary policy approaches for the design of an energy and carbon reporting scheme:

The CCL may require further attention to ensure it is an effective fiscal policy driver. It would also be helpful for the UK government to set clear, longer term carbon price expectations. Financial incentive schemes could have an effective role to play (a good example being the uptake of efficiency measures via Salix funding in the public sector). Guidance will also be important as already stated

16. Please provide views and any information you may have on the relative costs and benefits of:

A (1) Central digital reporting and publication of energy and carbon data, including specifically how these costs and benefits compare to reporting through the Companies Act regime on paper that is scanned to images by Companies House to make it available.

N/A

(2) Please outline the different costs and benefits of:

(i) mandating electronic energy and carbon reporting via Companies House, with complementary activity by government to collate public data and make a single central data set available

N/A

(ii) replacing reporting to Companies House with a new dedicated central IT portal, the data from which could be published:

N/A

(iii) placing such a dedicated central IT portal alongside the current proposals

N/A

B) (1) Dedicated administrator(s) and regulator(s), including specifically how these costs and benefits compare to administration and regulation of energy and carbon reporting as described within the Companies Act regime:

N/A

(2) Please outline the different costs and benefits of administration and regulation in relation to both replacing the current proposed scheme and placing such a scheme alongside the current proposals.

N/A

17. If replacing the proposed regime in future, please set out how a dedicated central energy and carbon reporting regime could continue to meet the needs of investors and others in relation to GHG reporting by UK quoted companies, currently required to be alongside financial information in annual reports.

Please explain your answer:

N/A

18. Do you have any other comments on the description of how potential future enhancements to energy and carbon reporting might function under any of the possible approaches, have other suggestions for future enhancements, or consider that any aspects of energy and carbon reporting proposed for 2019 might be better deferred?

Please explain your answer:

Not at this stage

Additional Questions

19. Are you happy for your response to be published?

- (x) Yes
- ( ) Yes, but without identifying information
- ( ) No, I want my response to be treated as confidential

20. Would you be happy to be contacted if we would like to find out more about your responses or invite you to a workshop?

- (x) A. Yes please
- ( ) B. No thanks

21. What is your job title?

Policy and Engagement Lead

What is your Department?

- A. Energy
- B. Facilities
- C. Finance
- D. Compliance
- E. Procurement
- F. Health and safety
- G. Organisational board-level (no department)

Other, please specify:

Policy and Engagement Lead for IEMA – working with networks of energy and climate change professionals.

Also Vice Chair of the International Standards Organisation (ISO) TMB Task Force on Climate Change Coordination

22. Please tell us the principle area of activity for your organisation?

- A. Agriculture, forestry and fishing
- B. Mining and quarrying
- C. Manufacturing
- D. Electricity, gas, steam and air conditioning supply
- E. Water supply; sewerage, waste management and remediation activities
- F. Construction
- G. Wholesale and retail trade; repair of motor vehicles and motorcycles
- H. Transportation and storage

- I. Accommodation and food service activities
- J. Information and communication
- K. Financial and insurance activities
- L. Real estate activities
- M. Professional, scientific and technical activities (including consulting)
- N. Administrative and support service activities
- O. Public administration and defence; compulsory social security
- P. Education
- Q. Human health and social work activities
- R. Arts, entertainment and recreation
- S. Other service activities
- T. Don’t know

Other, please specify here:

The Institute of Environmental Management & Assessment (IEMA) is a professional body for over 14,000 environment and sustainability professionals (this includes climate change, GHG verifiers and energy management specialists as well departmental heads who lead teams delivering energy compliance and GHG reporting). IEMA runs an ESOS assessor register as well as providing professional standards for our wide membership (including Chartered Environmentalist). IEMA has actively supported and contributed to all UK Government organisational energy and GHG reporting consultations since the 2008 Climate Change Act. www.iema.net

23. Which region is your organisation’s head office based in?

- A. Scotland
- B. Wales

- [ ] C. Northern Ireland
- [x] D. England
- [ ] E. Outside UK
- [ ] F. Don't know

Other, please specify here:

24. Please tell us about the size of your organization. Approximately how many people are employed by your organisation overall?

- [ ] A. 10 or fewer
- [x] B. 11-50
- [ ] C. 51-250
- [ ] D. 251 or more
- [ ] E. Don't know

25. Approximately what is your company's annual turnover within Britain? If you are not sure, please give me your best estimate.

- [ ] A. Up to £2m
- [x] B. £2m-£10.2m
- [ ] C. £10.3m-£50m
- [ ] D. £25m-£50m
- [ ] E. More than £50m
- [ ] F. Decline to comment

26. Is your organisation part of a wider corporate group? i.e. one of two or more active organisations working as a collection of parent and subsidiary firms.

○ A. Yes

● B. No

○ C. Don’t know

27. Which, if any, of the following schemes does your organisation participate in?

☐ A. CRC Energy Efficiency Scheme

☐ B. EU Emissions Trading Scheme

☑ C. Energy Savings Opportunity Scheme (ESOS)

☐ D. Climate Change Agreement

☑ E. Climate Change Levy

☐ F. Mandatory greenhouse gas reporting

☐ G. Energy Performance Certificate (EPC)

☐ H. Display Energy Certificates (DEC)

☐ I. None of these

☐ J. Don’t know