

Turbo Carbon TM

SECR POLICY OVERVIEW



Disclaimer

- This presentation is based on the best available information as of the date of delivery.
- Legislation and related regulations will continue to evolve, therefore the information included in this presentation is subject to change.
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What are we discussing today?

“I need to comply with mandatory Streamlined Energy and Carbon Reporting (SECR) requirements”



SECR related content presented derived from HM Government Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019 (Updated Introduction and Chapters 1 and 2)

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791529/Env-reporting-guidance_inc_SECR_31March.pdf



What is the UK's position on carbon emissions?

- Greenhouse gases in 2050 must be at least 80 % less than 1990 levels.
- A clear legal signal about the long-term direction of policy.
- The UNFCC's [Kyoto Protocol](#) places binding obligations on countries, including the UK,
- All nations under the UNFCC are now working on [the Paris Agreement](#).

UK



- 15th largest emitter of greenhouse gases (GHGs),
- The provisional estimates suggest that in 2018, total UK greenhouse gas emissions were 43.5 % lower than in 1990 and 2.5 per cent lower than 2017
- Recent reductions driven by lower emissions from power stations, with a 9.9 per cent decrease between 2017 and 2018

NOTE: 11th June 2019: The Prime Minister announced that the UK will eradicate its net contribution to climate change by 2050. This will amend the Climate Change Act 2008.



What is the UK policy landscape for carbon emissions?

| Name | Summary | Change |
|------------------------------------|---|--|
| CRC | Carbon Reduction Commitment: Large energy users consuming over 6,000MWh per year must monitor, report and purchase allowances for their annual emissions. | Scheme closing at end of current compliance year. |
| CCL | Climate Change Levy: Tax applied to electricity, gas and solid fuel use by businesses. | Rates increasing to mitigate losses from closure of CRC. |
| CCAs | Climate Change Agreements: CCL tax reductions through agreed reductions with Environment agency. | Rates will increase in 2019 to account for the increase in the CCL. |
| Companies Act (2006) 2013 revision | Requires all FTSE Main Market quoted companies to report their greenhouse gas emissions on an annual basis. | Additional requirements for quoted companies and extension of reporting scope to all large organizations including privately owned and LLPs. |
| ESOS | Energy Savings Opportunity Scheme: Requires large organisations to assess energy use and energy efficiency improvement opportunities on a 4 year cycle. | No change anticipated. |

SECR



Why has the UK introduced SECR?

- Increase awareness of energy costs within large and quoted organizations, including enhanced visibility to key decision makers.
- Create a level playing field among large organisations in terms of energy and emissions reporting.
- Ensure administrative burdens associated with energy and emissions reporting are proportionate and broadly aligned to the existing business reporting framework.
- Provide organisations in scope with the right data to inform adoption of energy efficiency measures and opportunities to reduced their impact on climate change.
- Provide greater transparency for investors and other stakeholders on business energy efficiency and low carbon readiness.



What is SECR?

- Streamlined Energy and Carbon Reporting Implemented April 1 2019 to replace Mandatory Greenhouse Gas Reporting (MGHG).
- Qualifying conditions are met by a company or LLP in a year satisfying two or more of the following criteria:
 - Turnover £36 million or more
 - Balance sheet TOTAL of £18 million or more
 - Number of employees 250 or more
- Exemption if you can evidence that you consume less than 40MWh.
- Reporting requirements largely focus on energy use, associated emissions and efforts to reduce impact. Vary whether quoted company, or large company LLP.



What information do I need to disclose under SECR?

| Quoted |
|--|
| Operational control – including abroad |
| Scope 1 – Stationary combustion |
| Scope 1 – Mobile combustion |
| Scope 1 – Process & fugitive emissions |
| Scope 2 – Purchased energy consumption |
| Global energy use in kWh – including Scope 1 |
| Annual GHG emissions + previous year |
| % of global energy from UK and offshore area |
| Emissions intensity ratio |
| Narrative on energy efficiency action |
| Methodology |

| Large or LLP |
|---------------------------------------|
| Operational control – UK only |
| Scope 1 – Stationary combustion (gas) |
| Scope 1 – Mobile combustion |
| Scope 2 – Purchased energy use |
| UK energy use – including Scope 1 |
| Annual GHG emissions + previous year |
| Emissions intensity ratio |
| Narrative on energy efficiency action |
| Methodology |



How should I report to SECR?

- The report should be included within the Directors' Report as part of annual filing obligations.
- For LLPs (where a Directors Report is not issued) a separate “Energy and Carbon Report” shall be issued.
- For charitable companies the report should be included within the “Directors and Trustees' Annual Report”.
- SECR does not impose a specific reporting template, but does reference reporting structures such as ISO 14064-1 and the GHG Protocol Corporate Standard.
- SECR encourages the reported year of energy and emissions matches the organizations financial year.



What are timelines and potential penalties for SECR?

- For companies with an FY starting on or after April 1 2019 – first disclosure due in 2020.
- For companies with an FY starting before April 1 2019 – first disclosure due in 2021.
- **SECR will be enforced by The Conduct Committee of the Financial Reporting Council - penalties for non-compliance have yet to be published.**
- However, note that in ESOS and CRC significant fines have been issued, one of over £40,000. See link: <https://legislationupdateservice.co.uk/news/15-businesses-hit-with-fines-for-failing-to-comply-with-esos/>.



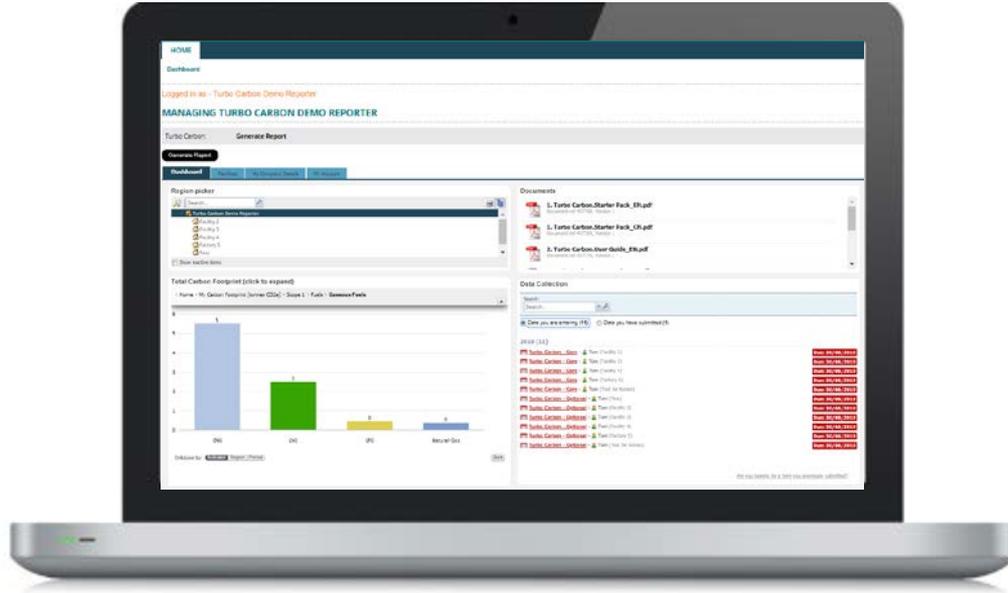
Are there any exemptions from SECR?

- Low energy users. If an organization's energy consumption is 40 MWh or less reporting is not required. An explanation for non reporting is required.
- Local authorities, government departments and statutory agencies are not covered by SECR, but report carbon in their annual reports under other legislation.
- Subsidiaries
 - If an organization is a “subsidiary undertaking” at the end of the financial year
 - If an organization is included in a group report of a “parent undertaking”
 - Optional exclusion of a subsidiary from group report if subsidiary was not in SECR
- Sensitive situations, such as takeovers, where releasing information could be prejudicial.



How can UL help me report to SECR?

A simple, fast and affordable online tool for reporting Scope 1 and Scope 2 emissions.



- Simple, Fast, Affordable
- Multi-language
- Multi-facility
- Automated calculations
- ISO 14064-1 report
- <https://turbo.ul.com/>

