Department for
Business, Energy
& Industrial Strategy

STREAMLINED ENERGY & CARBON REPORTING

Raising awareness, reducing bills, saving carbon

October 2017

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Raising awareness, reducing bills, saving carbon

The consultation and Impact Assessment can be found at:
https://www.gov.uk/government/consultations/streamlined-energy-and-carbon-reporting

Any enquiries regarding this publication should be sent to us at Department for Business, Energy & Industrial Strategy, 1 Victoria St, SW1H 0ET.

Ministerial Foreword

Energy efficiency is vital to business productivity, security of energy supplies, and supports the transition to a low-carbon economy. The UK government recognised that the range of energy efficiency policies created complexity and added burden to business consumers. That is why in 2016 the UK government announced reforms to improve the tax and reporting regime, including from 2019 closure of the CRC Energy Efficiency Scheme and absorbing the price signal into the Climate Change Levy. Reporting still has a valuable role to play – what gets measured gets managed – and the UK government announced it would consult on a simplified energy and carbon reporting framework for introduction by 2019.

Decisions by the Devolved Administrations on their approach on CRC closure will be informed by a range of issues including this consultation, other evidence and advice from their statutory advisors, the UK Committee on Climate Change. The UK government and Devolved Administrations are committed to working together to deliver the best outcome for businesses and the environment across the UK. We will be consulting Devolved Ministers before making final policy decisions for the proposed reforms to energy and carbon reporting.

The proposals here for mandatory reporting are designed to be simple, to align with what we have been told about best practice in the UK and internationally, to potentially build on the existing mandatory reporting of greenhouse gas emissions by UK quoted companies and to ensure we are not imposing unnecessary administrative burdens on UK business. The UK government is not creating new standards, we are simply requiring businesses to measure energy and carbon using existing standards.

The purpose of reporting is to raise awareness with decision makers within companies, and to inform markets and government policies. The message we want businesses to hear is that energy is a controllable cost. There is significant potential for UK businesses to save money, estimated at over £2 billion per year, through improved energy efficiency in buildings and processes[1]. Saving energy is a very cost effective way to reduce costs, save carbon, and help

[1] From measures with less than 7 year paybacks - Building Energy Efficiency Survey and BEIS analysis https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/565748/BEES_overarching_report_FINAL.pdf

to meet our emission reduction targets. Business and industry now accounts for approximately 25% of UK greenhouse gas emissions. The Clean Growth Strategy[2], published alongside this consultation, sets out how we will deliver cost-effectively our decarbonisation obligations, in accordance with the Climate Change Act 2008. Improved energy efficiency in business will also be considered in the context of both the Industrial Strategy, given the opportunities for UK growth and commercial advantage for the UK from energy efficiency actions, and the UK government's recently announced independent review into the cost of energy.

Public disclosures can make the economy more efficient, and more stable. They address an important market failure – lack of information on exposure to energy and climate related risks. Although quoted companies report emissions now, and many other businesses report voluntarily, there remains an information gap for market actors. Investors want greater disclosure so that energy and climate risks and opportunities can be accurately priced and factored into their decisions.[3] Companies can use marketable, comparable business disclosures to enhance their reputations and gain market share. Energy service providers will know where the opportunities and challenges lie so that innovation can flourish, and they can support businesses to reduce energy costs.

We want to hear from businesses and other stakeholders how simpler, better energy and carbon reporting can best be designed to facilitate a reduction in their bills, further rationalise the landscape and encourage action from energy audits, and support the transition to a low carbon economy which will deliver long-term benefits across the UK. We also want to hear your views on how other policy mechanisms can work with reporting to drive energy efficiency and growth.

CLAIRE PERRY MP

Minister of State

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[2] https://www.gov.uk/government/publications/clean-growth-strategy

[3] **Error! Hyperlink reference not valid.**https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf

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General information

Purpose of this consultation

This consultation seeks views on the UK government's proposals for a streamlined and more effective energy and carbon reporting framework. Reporting is proposed to be done within companies' annual reports, which shareholders can request, and are filed with and made available by Companies House. It is proposed to apply to certain UK companies formed and registered under the Companies Act 2006, and potentially Limited Liability Partnerships (LLPs). It proposes applying either energy use, or company size thresholds when determining to whom the framework will apply. It also proposes continuing to require UK quoted companies, regardless of size, to report. Companies and groups eligible for the small companies regime would potentially be exempt if not otherwise exempted by other thresholds. There is also potential for voluntary participation by organisations outside this scope. The consultation also seeks views on other policy mechanisms such as regulation and incentives, that can work with reporting to drive energy efficiency. We request evidence at the end of this paper seeking views on a possible central reporting portal managed by an administrator further in the future.

Issued: 12 October 2017

Respond by: 4 January 2018

Enquiries to:
Business Energy Use
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6th Floor
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Tel: 0300 068 2862
Email: reporting@beis.gov.uk
Consultation reference: [Streamlined Energy & Carbon Reporting]

Territorial extent:
The UK government's ambition is that the proposed reporting framework will operate UK wide.

How to respond

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.
We encourage respondents to make use of the online e-Consultation platform https://beisgovuk.citizenspace.com/heat/secr is the government's preferred method of receiving responses. However, responses submitted in writing or by email to the postal and email addresses above will be accepted.

We may also run stakeholder events during the consultation – please register your interest at reporting@beis.gov.uk if you would like to attend.

Additional copies:
You may make copies of this document without seeking permission. An electronic version can be found at https://www.gov.uk/government/consultations/streamlined-energy-and-carbon-reporting
Other versions of the document in Braille, large print or audio-cassette are available on request. This includes a Welsh version. Please contact us under the above details to request alternative versions.

Confidentiality and data protection

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

Responses from this consultation may be shared with the other government departments, their agencies, other relevant bodies, and the devolved administrations.

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We will summarise all responses and place this summary on the GOV.UK website. This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the Government's Consultation Principles.

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

Email: enquiries@beis.gov.uk

1. Context & scope

This consultation seeks views on how to implement a streamlined energy and carbon reporting framework for the UK to support businesses to reduce energy use, bills and carbon emissions.

Background

1.1. Improving energy efficiency in business can boost productivity, support growth, improve security of energy supplies and help decarbonise the economy. Embracing the challenges this places on our businesses and creating a policy and regulatory environment that supports this transition will deliver long-term benefits for the UK economy.

1.2. A public consultation, '*Reforming the business energy efficiency tax landscape'*, was conducted in 2015[4]. A significant number of respondents to that consultation agreed that mandatory reporting of energy use and carbon data is an important element of the landscape and that board/senior management sign-off for these reports could deliver significant benefits. However, a significant number of respondents also highlighted the need to rationalise and simplify the landscape.

1.3. The UK government announced in the March 2016 consultation response that it will work to abolish the CRC Energy Efficiency Scheme (CRC) after the 2018-19 compliance year. Given the significant support for maintaining mandatory reporting, the UK government also announced that we will **consult on a simplified energy and carbon reporting framework for introduction by April 2019**[5]. Decisions by the Devolved Administrations on their approach on CRC closure will be informed by a range of issues including this consultation.

Current Policy Landscape

1.4. The CRC Energy Efficiency Scheme requires around 5,200 individual eligible businesses and public sector organisations annually to report UK energy use and purchase allowances to cover their carbon emissions. The current phase of the scheme started in 2014 and covers emissions until March 2019. The emissions are published by the Environment Agency as scheme administrator. The objective of CRC is to improve energy efficiency in organisations, leading to carbon and bill savings.

1.5. To meet the requirements of the Energy Savings Opportunity Scheme (ESOS) 'large' undertakings (as defined within that scheme)[6] must audit their energy use. Many businesses also voluntarily participate in reporting schemes such as the CDP[7], and use

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[4] https://www.gov.uk/government/consultations/consultation-reforming-the-business-energy-efficiency-tax-landscape
[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508159/reforming_business_energy_efficiency_tax_response_final.pdf
[6] 'Relevant undertakings' are in the scope of ESOS. They include (i) 'large' undertakings under ESOS which employ an average of 250 or more people in a certain 12 month period or an annual turnover in excess of €50m and have an annual balance sheet total in excess of €43m, and (ii) undertakings which 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. Insolvent undertakings are not required to comply.
[7] formerly the 'Carbon Disclosure Project https://www.cdp.net/en/info/about-us

international standards such as ISO 50001 for energy management, and the Greenhouse Gas (GHG) Protocol or ISO14064-1 for GHG reporting. Energy intensive sectors may also report through Climate Change Agreements (CCAs), and mandatory GHG reporting already applies to all UK quoted companies[8]. Simple, effective reporting can cost-effectively realise the potential for companies to save energy and so money, increasing their productivity – as set out in the Impact Assessment.

[https://www.gov.uk/government/consultations/streamlined-energy-and-carbon-reporting

1.6. However, mandatory GHG reporting by UK quoted companies only delivers transparency of carbon data, and only for around 1000 companies. ESOS requires around 10700 'large undertakings' (around 9100 of which are 'companies') to conduct energy audits. Whilst this includes elements of reporting, ESOS does not include public disclosure. Schemes such as the EU Emissions Trading System (EU ETS), and the Climate Change Agreements (CCAs) Scheme publish emissions data. However, this is done at the level of installations (EU ETS), or target units (CCAs), not whole businesses. Environmental disclosures within certain companies' Strategic reports are valuable, but are not required to contain quantitative data. Whilst voluntary reporting to schemes such as the CDP is extensive, it is far from a comprehensive set of corporate energy and emissions data even for larger businesses.

1.7. There is insufficient awareness, notably at senior management level, of energy costs and cost saving opportunities that exist across whole businesses[9]. Measurement and reporting can lead to organisations investing in energy efficiency, thereby reducing their energy costs whilst improving security of supply. More can be done to bring together and disclose information and overcome the barrier created by lack of information to help businesses think differently, and help transform the market.

1.8. Improved energy efficiency owing to measurement and reporting is also a cost-effective way to reduce carbon emissions, supporting the UK's long term target to reduce emissions by at least 80% against 1990 levels by 2050. Business & industry (excluding indirect emissions from electricity consumption and fluorinated GHGs) covered a quarter of UK emissions in 2015[10]. The recently published Clean Growth Strategy , will set out how we will deliver cost-effectively our decarbonisation obligations, in accordance with the Climate Change Act 2008. This indicates Government's commitment to helping UK business to improve their energy and resource efficiency.

1.9. The UK government has also announced, in August 2017, an independent review into the cost of energy, as set out in the Industrial Strategy Green Paper. The review will set out options for a long term road map for the power sector, consistent with the overall objectives of decarbonisation and security of supply, and with its industrial strategy. The review will consider the key factors affecting energy bills, one of which is energy efficiency.

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[8] under provisions in the Companies Act 2006 requiring companies to produce a Directors' report (sections 415-418) and Part 7 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)

[9] E.g. http://www.telegraph.co.uk/content/dam/business/spark/e-on-energy-efficiency/eon-business-and-energy-guide.pdf 31 October 2016. Out of 760 senior managers surveyed, two-thirds were in the dark about how their firm bought energy; 46% had no idea about their company's energy costs and 54% had no idea who was responsible for energy management.

[10] Source: Final UK greenhouse gas emissions national statistics: 1990-2015: https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-2015

1.10. The Scottish Government has published its own draft Climate Change Plan which sets out how it will deliver progress towards Scotland's statutory carbon targets over 2017-2032. The Plan sets a carbon emissions envelope from Industry representing a 19% reduction between 2014-32. The Welsh Government is committed to the requirements set out in the Environment (Wales) Act 2016 and the Wellbeing of Future Generation (Wales) Act 2015; and Northern Ireland is developing emission reduction plans to ensure continued Northern Ireland contribution to the UK Climate Change targets.

1.11. On 23 June 2016 the people of the UK voted to leave the EU and the UK government is seeking the best possible deal for the UK through the upcoming negotiations. One policy proposal outlined in this consultation document makes reference to the EU ETS by proposing to exclude electricity supplied for the purposes of operating an EU ETS installation from the eligibility assessment of whether sufficient electricity is used to qualify for streamlined reporting. The proposed policy does not pre-empt the results of EU negotiations and the proposed streamlined reporting policy is expected to be compatible with any continued UK participation in the EU ETS or alternative future policy options.

1.12. The dynamic nature of the energy landscape means there is always a question on the timing of any change, and we recognise the UK's decision to leave the EU means the context of proposed reforms has changed since the *Tax Review* decisions were announced in March 2016. However, the UK government remains committed to delivering the simplification a significant number of businesses asked for, but in a way that ensures flexibility for the future.

Scope

1.13. The UK government is seeking views by 4 January 2018 on the proposed details of a streamlined energy and carbon reporting framework for certain companies, and potentially Limited Liability Partnerships (LLPs). This consultation builds on the analysis of responses to the 2015 consultation, which showed support for a reporting policy that sought to target certain large organisations, and subsequent stakeholder engagement[11]. This consultation also seeks views how we might further rationalise the landscape and encourage action from energy audits, and on the effectiveness of the current mandatory GHG reporting policy.

1.14. Mandatory reporting on energy and carbon is not proposed to apply at this time to the public sector. Government is currently seeking views on a voluntary carbon emissions reduction target and reporting mechanisms for the wider public and higher education sectors through a Call for Evidence[12] but mandatory reporting is not proposed at this time. Central government departments and their agencies have a well-established framework for reporting against greenhouse gas emissions targets as well as other sustainability indicators, through the Greening Government Commitments. The most recent annual report[13] covering the year 2015-16, was published in December 2016. In the wider public sector, we support energy efficiency measures through the public sector energy efficiency loans scheme administered by Salix Finance among other initiatives.

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[11] A number of workshops were held with business in early 2016, as well as discussions at various stakeholder events, in order to test analytical assumptions

[12] https://www.gov.uk/government/consultations/leading-by-example-cutting-energy-bills-and-carbon-emissions-in-the-public-and-higher-education-sectors

Devolved competence

1.15. The ambition is that the simplified energy and carbon reporting framework will be UK-wide, and that proposals will be implemented through the Companies Act 2006. Therefore, in respect of the proposals, there are no issues arising in respect of the devolution settlement for Scotland and Wales. In respect of Northern Ireland the regulation of types of business association including under the Companies Act 2006 is a transferred matter, but there is a general agreement from the Northern Ireland Administration for there to be a UK-wide approach to legislation in this area.

Objectives

1.16. The UK government proposes to introduce a streamlined energy and carbon reporting system through reforms that reduces the administrative burdens of compliance when compared with the current landscape. The table below sets out the key simplifications announced following the Business Energy Tax Review.

	measure	report	energy audit	price	carbon trading	Brief description of change
CCL				✓		The main rates of CCL will be increased from April 2019 to ensure that the proposed abolition of the CRC is fiscally neutral, and to encourage energy efficiency
CCAs	✓	✓		✓		No changes to eligibility, discount increased to make sure the tax burden does not increase by more than inflation in 2019
CRC	✓	✓		✓	✓	To be abolished, working with Devolved Administrations, after 2018/2019 compliance year
MGHG reporting	✓	✓				No change through *tax review* – potential to roll requirements into proposed streamlined reporting policy
Proposed policy	✓	✓				Proposed energy & carbon reporting combines elements of CRC & Mandatory GHG reporting (from 2019)
ESOS	✓		✓			No change – although potential to use ESOS outputs in new streamlined reporting approach.

Table 1**.** Key simplifications following the Business Energy Tax Review.

1.17. The Aldersgate Group and major UK businesses have made it clear that mandatory emissions reporting plays an important role in that it has "*helped provide greater levels of board oversight and investor engagement on how to improve the resource efficiency of their businesses, thereby boosting productivity*" and "*provide standardised and comparable information to institutional investors*"[14].

[13] https://www.gov.uk/government/publications/greening-government-commitments-2015-to-2016-annual-report

[14] Open letter to The Independent 11 March 2016 http://www.independent.co.uk/voices/letters/letters-keep-up-the-greenhouse-gas-check-on-companies-a6923576.html.
The Aldersgate Group is an alliance of leaders from business, politics and civil society that drives action for a sustainable economy. They develop independent policy solutions based on the expertise and diversity of members aiming to represent every sector of the economy.

1.18. Increased and more consistent disclosure of energy and carbon data will raise awareness of energy efficiency, and improve transparency for investors so they are better able to hold companies to account. It has the potential to provide the market with useful information, both on where companies in scope have implemented energy efficiency measures with quick pay backs and to facilitate targeted innovation to overcome more difficult energy saving challenges. Disclosure in a more standard form can also provide information on where progress is proving harder, and so where further government support may be needed. Reducing bills through energy efficiency supports the Industrial Strategy aim to deliver affordable energy for business and ensure that the shift to a low carbon economy is done in a way that minimises the cost to UK businesses.

Territorial extent

Proposal 1. That the simplified energy and carbon reporting framework is UK-wide.

1.19. The ambition is that the simplified energy and carbon reporting framework, like the CRC, will be UK-wide.

Consultation Question	
Q1.	Do you agree that the proposed energy and carbon reporting policy should apply across the UK? [Yes or No] Please explain your answer.

2. Rationale & evidence

There are potential savings of over £2 billion per year on business energy bills from cost effective measures in buildings and business processes[15]. Measurement and reporting can lead to organisations investing in energy efficiency, thereby reducing their energy costs, with security of supply and carbon reduction as significant additional benefits.

The role of energy and carbon reporting

2.1. Measurement and reporting raises the profile of energy efficiency with organisations' decision-makers, stimulates better energy management practices, and can lead to organisations investing in energy efficiency, thereby reducing their energy costs.

2.2. Despite the significant energy efficiency opportunities that sectoral studies like the Buildings Energy Efficiency Survey (BEES) identify, many companies still view energy as a fixed cost[16]. Feedback from leading energy efficient businesses[17] and BEES findings inform us that this is incorrect. Where companies are able to gather and communicate the right information to decision makers particularly at board level, they are finding that energy efficiency investments offer excellent rates of return and quick wins.[18] Energy and carbon professionals have told us that this is especially the case when they engage in long term thinking about potential future energy and carbon costs. It then becomes hard to justify money wasted through inaction.

2.3. Measurement and reporting can support businesses to have conversations about changes to operations, and is fundamental to any programme of improvement. Energy and carbon managers have told us that they secure investments through getting decision makers to agree targets, set a trajectory, and through monitoring and reporting on progress.

2.4. Public disclosure, particularly of emissions, can provide a reputational advantage for organisations which are proactive in their energy management and provide incentives for those who have unfulfilled potential. Transparency increasingly informs investment decisions, drives competition, and provides an opportunity for businesses to celebrate action and achievements. Disclosure of information can provide marketing opportunities for companies, whilst providing consumers with additional data so that they are able to validate companies' claims and 'green credentials' and make informed choices.

2.5. The Financial Stability Board's (FSB) Taskforce on Climate-related Financial Disclosures (TCFD) worked with a wide range of industry and finance representatives to develop

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[15] See footnote 1. A CBI report '*Shining a light: Uncovering the business energy efficiency opportunity*' also significant savings http://noveusenergy.com/wp-content/uploads/2015/01/CBI-report-on-energy-efficiency-2013.pdf

[16] "*Executives have failed to engage with energy costs by misunderstanding just how much they could be saving*" http://www.independent.co.uk/voices/letters/letters-keep-up-the-greenhouse-gas-check-on-companies-a6923576.html

[17] https://www.eef.org.uk/resources-and-knowledge/research-and-intelligence/industry-reports/upgrading-power-report

[18] https://www.bsigroup.com/en-GB/iso-50001-energy-management/case-studies/

recommendations for voluntary, 'decision-useful', climate-related disclosures. The TCFD recommends that these disclosures be made as part of mainstream financial filings[19]. In the UK these filings would be made to Companies House. The recommendations aim to help organisations identify and disclose information needed by stakeholders to appropriately assess and price climate-related risks and opportunities. The TCFD's research shows that the recommended disclosures will promote Board and senior management engagement on climate-related issues. The TCFD structured its recommendations around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, metrics and targets. The recommendations consider climate risk to be two-fold: transition risk (upcoming legal, technology, policy and market changes) and physical risks (posed to physical assets by extreme weather events and warming temperatures).

2.6. Providing more standardised energy and emissions information to market actors (investors, consumers and providers of products and services) helps to address the issue of incomplete information. Making companies with lower energy use and emissions easier to identify allows markets to function more efficiently, revealing the extent to which controllable costs, associated risks and opportunities, are being managed. As investment is attracted towards such companies, this is likely to increase the rate of return of energy efficiency technologies, support innovation, and build the market in energy efficiency and low carbon products and services over the long-term[20]. Disclosed information can also inform the development of future government policy on energy efficiency.

Impact Assessment

2.7. The proposals in this document should be read in conjunction with the Impact Assessment (IA)[21], which considers three potential options for a simplified energy and carbon reporting framework and an option where no new reporting policy is introduced. Under all proposed options, the CRC is abolished after the end of the CRC compliance year 2018/2019, but other reporting requirements continue.

2.8. The IA sets out 4 options:

- Option 1, where no new reporting policy is implemented.
- Option 2 requires all companies using over 6GWh of electricity per year (through settled half hourly meters, excluding CCA and EU ETS supplies – as described in paragraph 3.30) to report on their electricity, gas and transport energy use and emissions and an intensity metric (with a global scope for energy and emissions for quoted companies) in their annual reports.
- Option 3 represents a variation of Option 2, where reporting requirements for participants are the same as in Option 2, but the scope of the scheme is all large companies – see Table 2 below for the two potential definitions of 'large' that we discuss in Chapter 3 'Who should report' (paragraphs 3.16 onwards).[22]
- Option 4 has the same scope as Option 3, but it additionally requires participants to report on their energy efficiency opportunities and progress against them.

[19] See footnote 3
[20] See also Impact Assessment Annex A '*Costs and benefits of reporting global GHG emissions by quoted companies'*
[21] https://www.gov.uk/government/consultations/streamlined-energy-and-carbon-reporting
[22] The IA uses the meaning of 'large' as used in ESOS to provide indicative analysis but, as set out in paragraph 3.20 of this consultation document, we are also considering the Companies Act approach to 'large' companies to define the participatory scope of our proposals

Framework	Definition of ‘large’
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 There are 'smoothing provisions' which apply where a company crosses over the size threshold, a change must persist for two years to have an effect on the company’s classification. *These thresholds are set out in sections 465 and 466 of the Companies Act 2006 and are updated from time to time. At group level the financial thresholds are on an aggregate basis.*
ESOS *as used in the IA, unless otherwise stated*	Undertakings: i) 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 ii) 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. *Derived from the requirements of Article 8 of the Energy Efficiency Directive. 'Smoothing provisions' also apply.*

Table 2. Definitions of ‘large’ under Companies Act 2006 and ESOS

2.9. The options have been assessed in the IA in terms of their impact on carbon and energy savings, and administrative burdens. **We welcome comments on the analysis, assumptions and evidence used in the IA**. This consultation also seeks views on other unquantified elements of how this policy might operate (such as the disclosure of information that is complementary to energy use and carbon emissions data, and other policy mechanisms that can work with reporting to drive energy efficiency).

2.10. The IA assumes that all policy changes are UK wide, but discusses in Part 3 how the impacts of each option might be disaggregated at Devolved Administration level.

2.11. During the consultation period, the department may hold workshops to discuss policy/analytical issues. All respondents to this consultation can express their areas of interest and register to take part in any workshops when they submit their response.

Consultation Question

Q2. Do you have any comments on the analysis set out in the Impact Assessment?

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 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. Proposals

The UK government wants the reported information to be as useful as possible, whilst ensuring that the reporting burden on businesses is minimised.

Summary of proposals

UK quoted companies

3.1. The UK government do not intend to remove the requirement for all **UK quoted companies** to report annually on their global GHG emissions[23] (including any emissions they may be responsible for outside the UK) and an intensity metric (see paragraph 3.5)[24]. It is proposed that they should also be required to disclose total global energy use across all energy types. It is also proposed that such emissions reporting continue to be, and that energy use reporting is, done via companies' annual reports (see 'How will information be reported' from paragraph 3.10, below).

UK unquoted companies

3.2. In addition, we propose that certain **UK unquoted companies** who are formed and registered under the Companies Act 2006, and their corporate groups[25], are required to report certain emissions and energy use (see paragraph 3.5) via their **annual reports**.

3.3. We are interested in views about whether the policy should apply to all UK unquoted companies who:

- are **large** (as proposed from paragraph 3.18, Options 3 and 4 in the IA **or**
- use the existing **CRC qualification threshold of over 6GWh of electricity use per year** (through settled half hourly meters, excluding CCA and EU ETS supplies – paragraph 3.30, Option 2 in the IA), although the UK government is mindful that the CRC qualification threshold is complex), **or**
- meet a different threshold of energy use

3.4. Even if they met the 6GWh threshold, companies and groups eligible for the small companies regime[26] would potentially be exempt from needing to prepare the proposed elements of the annual reports.

3.5. The UK government proposes that unquoted companies who pass the qualification threshold will be required to report:

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[23] Para 15, Part 7, Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 [SI 2008/410 as amended as by Part 3 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 http://www.legislation.gov.uk/uksi/2013/1970/regulation/7/made]. The GHG emissions to be reported are: the annual quantity of emissions in tonnes of carbon disoxide equivalent, (i) from activities for which the company is responsible (including the combustion of fuel and the operation of any facility), and (ii) resulting from the purchase of electricity, heat, steam or cooling by the company for its own use.

[24] As required under the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (see footnote 19)

[25] All references to companies should be taken to include their corporate groups as specified here unless otherwise stated.

[26] The small companies regime applies to a company or group if they a) qualify as small, and b) are not excluded from the regime. 'Qualifying as small' means satisfying the criteria regarding size in sections 382 and 383 of the Companies Act 2006. Section 384 excludes excludes a number of types of company including public companies (which include quoted companies) from being 'small'.

- Certain UK energy use and associated GHG emissions[27]
- An intensity metric – by which we mean at least one ratio which expresses the reporting company's annual emissions in relation to a quantifiable factor associated with the company's activities.[28]

All qualifying UK companies

3.6. The UK government is also interested in understanding which reporting elements could drive still more action. For example whether, to further rationalise the landscape and encourage action from energy audits, companies should also report (IA Option 4) on:

- Identified energy savings opportunities
- Energy efficiency action taken

3.7. Where it is not practical to obtain some or all of the energy and carbon information proposed to be disclosed, companies would be required to disclose what information is not included and why.

3.8. In addition, as set out in Chapter 5 the UK government wants to hear your views on how other policy mechanisms can work with reporting to drive energy efficiency. Also, in Chapter 6, perhaps further in the future, the costs and benefits of central IT reporting and publication of company energy and carbon information and dedicated administration and regulatory oversight.

	Option 1	Option 2	Option 3	Option 4
Scope of new reporting framework:	n/a	Companies using >6 GWh of electricity p.a. (4,000 individual large organisations)	Large[29] companies (9,100 individual large organisations)	Large companies (9,100 individual large organisations)
What information is reported:				
Onsite energy use (UK only)		Electricity & Gas	Electricity & Gas	Electricity & Gas
Transport energy use (UK only)		✓	✓	✓
Emissions from UK energy use		✓	✓	✓
Intensity metric	Via MGHG reporting	✓	✓	✓
Global GHG emissions (quoted companies only)	Via MGHG reporting	✓	✓	✓
Global total energy use (quoted companies only)		✓	✓	✓
Scale of, and progress against, energy efficiency opportunities				✓

Table 3. Description of Options 1 to 4 in the impact assessment: In all options, the 1,200 UK quoted companies, who are currently in scope of MGHG reporting, will continue to be required to report under the SECR framework. These 1,200 quoted companies are included in the organisation figures above (4,000 and 9,100).

[27] See Proposal 6 below

[28] Examples in Annex F p.91 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206392/pb13944-env-reporting-guidance.pdf

[29] 'Large' here, and in Option 4 in this table, has the meaning given to it in ESOS – see Table 2

3.9. The options presented in the IA are not exhaustive, but are intended to illustrate the potential scope of reporting approaches, type of companies who could be required to report, and types of information that could be reported, as discussed below.

How will information be reported

Proposal 2: Companies will be required to include the proposed information within their **annual reports**, which shareholders can request, and are filed with and made available by Companies House.

3.10. Companies formed and registered under the Companies Act 2006 (with certain exemptions) are required to prepare annual accounts and reports, including Directors' reports (the current vehicle for mandatory GHG reporting, and one way to implement the new proposals) and Strategic reports[30]. Reporting requirements such as Directors' reports and Strategic reports do not currently apply to other entities (e.g. Limited Liability Partnerships) or to the relatively small number of companies operating in the UK who are incorporated overseas.

3.11. The information proposed to be disclosed could sit within Directors' reports, Strategic reports, or a new bespoke report forming part of a company's annual reports, and would require Board level sign off. Companies and groups eligible for the small companies regime already benefit from certain exemptions with regard to Directors' reports and Strategic reports, and they would potentially be similarly exempt from these proposals (although a parent company may report on the relevant information in group reports). Energy and carbon reporting through such reports would bring energy and carbon information into the mainstream alongside financial and risk reporting. Aligning energy and carbon reporting with financial corporate reporting so that e.g. companies do not have to report to a new body, or collect and report information on a new date, should minimise overall business burdens (recognising that some options bring new individual businesses into reporting scope) and at the same time effectively raise awareness with Boards through the content included in their reports, and communicate the information to external stakeholders, such as investors. All shareholders are entitled to request a copy of annual reports be made available to them.

3.12. UK companies formed and registered under the Companies Act 2006 are obliged to send their annual report, which includes their accounts and non-financial reports to the Registrar to be published on the Companies House website[31], where third parties can access individual records, and the information therein[32]. Companies House are responsible for enforcement in relation to the timeliness of filings. Within the Companies Act regime any enforcement in relation to compliance with statutory reporting requirements would sit within the wider remit of the Financial Reporting Council. This approach has the benefit of using existing systems and processes, which are generally dealt with through a civil regime,

[30] see Glossary at the end for more detail on these reports. New disclosure requirements would be implemented under Section 468 and/or Section 416(4) of the Companies Act 2006.

[31] Filing requirements vary according to the size and nature of the registered entity, and some exceptions apply eg. see footnote 22.

[32] UK quoted companies must comply with additional transparency requirements due to the nature of their shareholdings. These rules require quoted companies to also publish their reports themselves (e.g. on their websites), which provides improved accessibility

rather than setting up a new enforcement regime in the Companies Act for the proposed SECR framework.

3.13. The government proposes that energy and carbon reporting to Companies House should be electronic. It might be most appropriate to require energy and carbon reporting in a new, bespoke report within the annual reporting framework, given digital filing is not currently mandatory for Directors' reports or Strategic reports. **It is not proposed here that digital filing of all the current content of annual reports would become mandatory – only this element of annual reports is proposed to be done electronically**. Companies are becoming more familiar with digital filing. They are required to submit accounts digitally to HMRC for tax purposes[33] (although these are not made public, and are not consolidated group accounts), and are increasingly submitting electronic reports to Companies House, from where they can be accessed[34]. The accepted formats are XBRL (eXtensible Business Reporting Language) or iXBRL (inline XBRL). This type of electronic reporting would improve the usefulness and accessibility of any energy and emissions data published by Companies House. It would however have the potential downsides of: a) separating energy and carbon data from the other aspects of annual reports, potentially reducing the salience of the information with internal decision makers, and with less awareness raised with external stakeholders; also b) introducing the risk of submission errors as companies learn to apply a new electronic standard, potentially damaging the integrity of published energy & carbon data; and c) as it would apply to only a subset of companies, making it hard for timeliness to be monitored.

3.14. To maximise the impacts of such published data, the government also proposes to seek to establish a mechanism for collating this data, bringing it into one place to increase its usefulness, and facilitating ease of access – for example via a central published report or tool. Analysis of the data by government and others has the potential to support the market, and to allow further policies e.g. to target identified challenges and opportunities.

3.15. The government requests evidence at the end of this paper, and Chapter 6 discusses an alternative approach that could be implemented in future with central reporting and data publication, plus new administrative and regulatory activity. This could be, for example, through either amending the Companies Act regime to add new features (most consistent with streamlining), replacing the proposed regime with a new regime, or placing such a regime alongside these proposals.

Consultation Question	
Q3.	Do you agree that reporting should be done through annual reports? [Yes or No] Please explain your answer. If yes, would any of the following, forming part of companies' annual reports, be better suited? a) Directors' reports, 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 the annual reports regime.
Q4.	Do you agree that from 2019 energy and carbon reporting to Companies House should be electronic? [Yes or No]. If yes, please specify any digital formats, such as XBRL /

[33] https://www.gov.uk/government/publications/taxonomies-accepted-by-hm-revenue-and-customs/taxonomies-accepted-by-hmrc
[34] https://www.gov.uk/government/organisations/companies-house/about/about-our-services

	iXBRL, that may be suited to this purpose, and any opportunities and challenges these may present.
Q5.	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? Please explain your answer.

Who should report

Proposal 3. Reporting will remain mandatory for all UK quoted companies, and become mandatory for either **A) all 'large'** UK companies formed and registered under the Companies Act 2006 and their corporate groups, **B)** UK companies who use more than **6GWh of qualifying electricity** in a year, or **C)** UK companies who use a **different energy use threshold**. Small companies and groups would potentially be exempt even if they met the 6GWh threshold. Organisations outside the scope of mandatory reporting are encouraged to participate voluntarily.

3.16. A streamlined energy and carbon reporting policy should minimise burdens overall across businesses through using simple qualification criteria and organisational rules (see paragraph 3.11, above).

3.17. Under all proposals, a UK quoted company, regardless of energy consumption or company size, will continue to annually report on emissions and an intensity metric, and will additionally report on total global energy use.

3.18. **Population Approach A**: We could require **all 'large' unquoted companies**[35] (and potentially other large businesses) to report. This could be consistent with either:

i) the meaning of 'large' under the Companies Act regime, or

ii) the meaning of 'large' under ESOS.

3.19. A 'large companies' scope had significant support in the context of Defra's 2011 consultation on mandatory GHG reporting[36]. The ESOS approach of capturing 'large undertakings' and their corporate groups was supported in the 2015 *Tax Review*[37].

3.20. **A(i):** The definition of 'large' companies could **(i)** 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[38]

There are smoothing provisions which apply where a company crosses over the size threshold, a change must persist for two years to have an effect on the company's classification.

[35] All references to companies should be taken to include their corporate groups as specified here unless otherwise stated.
[36] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/86569/20120620-ghg-consult-sumresp.pdf
[37] See footnote 4
[38] 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.

3.21. The criteria in paragraph 3.20 apply to individual UK companies, and also to parent companies which are considered large where their group cumulatively exceeds those criteria. Therefore, if a UK parent company of a large group does not exceed these thresholds itself, but the group exceeds these thresholds, the parent is deemed large and must comply as such with the Companies Act regime (which would include energy and carbon reporting proposals).

3.22. Given the proposal to implement reporting within the Companies Act regime, this would seem to be the best starting approach to defining the population. Companies will already know if they are 'large' under the Companies Act, and will be familiar with the fact that additional requirements apply to large companies within the Companies Act regime.

3.23. **A(ii):** Alternatively, the definition of 'large' companies could **(ii) 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[39], 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:

i) companies which (i) employ an average of 250 or more people in a certain 12 month period, and/or (ii) have an annual turnover in excess of €50m and an annual balance sheet total in excess of €43m, and

ii) 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.

3.24. Under ESOS, the parent is responsible for the group's compliance though undertakings can choose whether they participate as groups or individually.

3.25. Under the ESOS approach to grouping companies[40], this would entail around 9100 'large' companies reporting (**Options 3 and 4 in the IA consider the 'large' participant group**, and use the ESOS approach to grouping and applying a 'large' threshold to produce illustrative analysis).

3.26. ESOS already includes disclosures of energy saving opportunities and/or actions, so ESOS participants would not be further burdened if this was included in the reporting framework, and it could further rationalise the landscape and better encourage action from energy audits.

3.27. The differences in approaches to thresholds and corporate groups would make it harder to apply the ESOS 'large' definition within the Companies Act regime, although it may be possible in the future to align audit and reporting thresholds.

3.28. Depending on the detail of how it was implemented, as subsidiaries may be deemed 'large' in the ESOS approach, the ESOS approach could also require that more individual entities are required to gather energy and carbon data than under a Companies Act regime approach where consolidated reporting may focus burdens more on parent companies (although as noted above, companies and groups who are small would potentially be exempt). Nevertheless, there are likely to be significant overlaps in those

[39] See section 1.6, p.13 of the ESOS compliance guidance (N.B. Insolvent undertakings are not required to comply) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466515/LIT_10094.pdf

[40] The ESOS approach to 'large' is used in the IA to provide indicative analysis

gathering energy data under ESOS, and those companies which are 'large' within the meaning of the Companies Act 2006 (paragraphs 3.18 and 3.19, above), with ESOS potentially providing four-yearly 'baseline' energy measurement in those cases.

3.29. There is also the question of whether the participation by large undertakings should be restricted to 'companies'. This is the proposal, as it is consistent with the Companies Act regime, and so minimises disruption and follows a familiar boundary. However, it would mean that Limited Liability Partnerships (LLPs) on whom corporate reporting requirements are also often placed would not be in scope. There are likely to be benefits from LLPs engaging in proposed reporting activities, but these may not outweigh the burdens. We would welcome views on this.

3.30. **Population Approach B**: It might be more appropriate to target the policy to a **subset of businesses**, e.g. around 4000 'large' company groups **who already report under the CRC**. This would avoid additional burdens for companies who may not be familiar with energy and carbon reporting e.g. if they were not in CRC. A threshold could be set at **6GWh electricity per year** (in line with that used for the CRC, to cover organisations with significant electricity use outside EU ETS and Climate Change Agreements). This approach to the qualification threshold (**Option 2 in the IA**) would:

- mean that any UK company which passes the 6GWh electricity threshold would qualify,
- mean that any corporate group would need to apply the 6GWh electricity threshold to the group as a whole, and the group would qualify if it passes the threshold cumulatively[41,42],
- only apply to electricity supplied via settled half-hourly meters, and
- exclude from the assessment of electricity supplies in order to determine if the 6GWh threshold is reached, energy covered by CRC 'supply deductions' such as energy under CCAs or EU ETS, or used in mineralogical or metallurgical processes[43]. Companies would still have to report this energy if they qualify.

3.31. Using this 6GWh threshold would avoid placing burdens on companies who do not qualify for the CRC, and so may not currently be regulated, but it would involve a degree of definitional complexity (e.g. implementing the CRC concept of participant groups) that would be counter to the simplification intentions of reforms, and present operational difficulties to be overcome. The difference in approaches between the proposed grouping by common global parent here (where such entities are grouped to apply the 6GWh test even if they do not share a common UK parent), and consolidation of UK entities under the existing Companies Act regime would make the CRC approach hard to apply.

3.32. **Population Approach C(i)**: **A simpler energy use threshold** could be set according to total energy use across all energy products in scope (rather than just electricity) of e.g. 6GWh per year to avoid burdening large unquoted companies who use small quantities of energy. Total energy use is already measured at least four-yearly under ESOS, and a threshold based on a specific level of total energy use across all types of energy in scope might therefore be easier to implement than the CRC threshold.

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[41] It is assumed that no companies subject to the small company regime would qualify under these thresholds

[42] Corporate groups where none of the group has activities using qualifying electricity in the UK would be excluded

[43] See '*CRC: Who needs to register'* https://www.gov.uk/guidance/crc-energy-efficiency-scheme-qualification-and-registration#crc-who-needs-to-register and *'CRC Energy Efficiency Scheme guidance for participants in phase 2'* (Section 3.2) https://www.gov.uk/government/publications/crc-guidance-for-participants-in-phase-2

3.33. **Population Approach C(ii):** A different but also straightforward approach could be to set different energy thresholds for each energy product, with a company or group qualifying if they met any one of them. For example 500MWh per year for each of electricity, gas, and transport. This type of threshold might ensure that large electricity users are not treated differently from large gas or transport energy users. This approach would ensure that burdens do not fall on smaller energy using businesses where benefits might be less, and such an approach could be applied instead of or in addition to applying one of the ‘large company’ tests (see above).

Consultation Question

Q6.	Do you think that the policy should apply to: 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.
Q7.	If you prefer Population Approach A (all ‘large’ companies) which of the proposed company size definitions seems the most appropriate to you, (i) Companies Act 2006, or (ii) ESOS, or (iii) any others?
Q8.	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).
Q9.	Should reporting requirements within the Companies Act regime also apply to Limited Liability Partnerships (LLPs)? [Yes or No]. Please explain your answer.

3.34. We want to encourage voluntary participation in energy and carbon reporting by organisations who are out of scope of the mandatory regime, and we would welcome views on how support might be given for example through guidance. It would be open to such organisations to follow available reporting standards and guidance and include equivalent disclosures in annual reports to Companies House, provision could be made via any central portal, or for example they could publish such information on their websites.

What should be reported

Mandatory Greenhouse Gas Reporting by UK quoted and unquoted companies

3.35. The UK government recognises the value placed on mandatory GHG reporting by the investor community and other stakeholders – as expressed in the strong support for mandatory reporting in the 2015 consultation[44] – and is looking to maintain and build on

[44] See footnote 8 – Aldersgate and business open letter to The Independent

this requirement, and create the more streamlined framework that companies supported in that consultation. More companies reporting more extensively in annual reports delivers this, consistent with the reporting vehicle under the TCFD's recommendations[45].

3.36. It is proposed that all quoted and all unquoted companies who qualify for participation in the reporting framework (see Proposal 3) will be required to report on the Scope 1 (direct emissions) and Scope 2 (energy indirect) emissions for which they are responsible, though to different extents, and report Scope 3 emissions on a voluntary basis.

Scope 1,2,3 GHG Emissions:

Scope 1 (Direct emissions): Emissions from activities owned or controlled by your organisation that release emissions into the atmosphere. They are direct emissions. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces, vehicles; emissions from chemical production in owned or controlled process equipment.

Scope 2 (Energy indirect): Emissions released into the atmosphere associated with your consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of your organisation's activities but which occur at sources you do not own or control.

Scope 3 (Other indirect): Emissions that are a consequence of your actions, which occur at sources which you do not own or control and which are not classed as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by your organisation, waste disposal which is not owned or controlled, or purchased materials or fuels.

Reporting boundary for UK quoted and unquoted companies

3.37. Companies will need to take decisions on whether they are responsible for the energy use of, and associated emissions from, subsidiaries and assets. In the interests of transparency, and to facilitate comparisions, companies should specify within the proposed disclosures whether they are using a financial control, operational control or equity share (or other) approach[46] to determine responsibility, and why certain energy use and emissions may have been excluded from their reports.

Reporting by UK quoted companies

Proposal 4: Continued annual reporting by UK quoted companies of their global Scope 1 and Scope 2 GHG emissions and an intensity metric, with the addition of reporting on total global energy use across all energy types. Scope 3 reporting would remain voluntary.

3.38. This will continue to provide transparency to support investors' decisions, continue to provide a leading example for others, and help to ensure that the UK remains a centre for green finance.

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[45] See footnote 2 – TCFD Final Report, p.17, 2.b. *"Location of Disclosures and Materiality: The Task Force recommends that organizations provide climate-related financial disclosures in their mainstream (i.e., public) annual financial filings"*
p.14, Fig.4. "Metrics and Targets – Recommended Disclosures - b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks."
[46] See Annex A of Defra's Environmental Reporting Guidelines https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance

3.39. The UK government considers that reporting additionally on global energy use across all energy types would not add significant burdens, as the information must be collated to calculate emissions (and for those in ESOS, UK energy use is measured at least four-yearly for compliance), but would welcome views on this. It is proposed that annual disclosures stating total energy use (across all energy products) may be more salient to some decision makers within businesss, potentially increasing action. UK quoted companies would continue to report an intensity metric (see Proposal 6 below for more detail), and continue to include at least the previous year's data.

3.40. Where it is not practical to obtain some or all of the energy use and carbon information proposed to be disclosed, companies would be required to disclose what information is not included and why.

Reporting by unquoted companies

> **Proposal 5:** Energy use and associated emissions will be reported, and scope should be restricted to (i) electricity, (ii) gas and (iii) energy used for transport for unquoted UK companies.

3.41. The UK government proposes that the energy use in scope for unquoted companies to be calculated and reported, should be restricted to electricity, gas and transport, with transport defined as road, rail, air and shipping. Transport energy was not included in the CRC, but fits well in a streamlined framework given it is covered by mandatory GHG reporting, and ESOS, and offers companies additional savings opportunities. The UK government is minded to only require unquoted companies to report on their energy use within the UK. A single aggregate energy use figure would be disclosed (i.e. total GWh of electricity+gas+transport energy), along with separate Scope 1 and 2 emissions figures (each as tonnes of CO_2 equivalent, tCO_2e). If Scope 3 is voluntarily reported, this would again be a separate tCO_2e figure.

3.42. The UK government proposes that unquoted companies are only required to report emissions associated with the above energy use, for which they are responsible (see paragraph 3.39), as opposed to total global emissions as is required of quoted companies.

3.43. Companies who are in scope of ESOS will already be measuring total energy use across their organisation – e.g. also including fuels such as coal, kerosene, liquefied petroleum gas (LPG) – at least once every four years. This alternative scope (all energy products, not just electricity, gas and transport) may be a better fit with recognised energy and carbon reporting standards and best practice. If the policy covered a broader scope, it could also then make provision for companies to report on use of low carbon energy sources such as biomass and biogas. ESOS could provide a regular four-yearly total energy use 'baseline', and help to reduce the burdens of such wider data collection. A *de minimis* level of use could apply to each energy product. We welcome views on this.

3.44. Whatever is required to be reported for company energy and carbon reporting will be a minimum, organisations of any type would be able to report more comprehensively if they so chose. For example, they could disaggregate energy use and/or emissions by energy product. Companies in scope of the new reporting policy would need to explain the scope on which they have reported, an approach which would be also encouraged for those reporting voluntarily.

3.45. Companies in scope will also be required to include in their disclosures at least the previous year's emissions data as is currently the case for UK quoted companies GHG emissions, and, once a previous year's data exists, energy. They could use the narrative accompanying disclosures to set context for the figures.

3.46. Where it is not practical to obtain some or all of the energy use and carbon information proposed to be disclosed, companies would be required to disclose what information is not included and why.

Proposal 6: Unquoted UK companies within scope of the new reporting policy will also report on an intensity metric.

3.47. This intensity metric (or intensity ratio) can be chosen by companies to best reflect the nature of their business. Intensity metrics can provide for third parties to draw comparisons between companies to drive competition, and show year-on-year trends. Carbon intensity metrics are already a requirement for UK quoted companies, which, as above, we propose to continue. The Climate Disclosure Standards Board (CDSB) looked at disclosures by the FTSE350[47], and found that intensity metrics are fairly normalised, mainly falling into one of five categories, as shown in Figure 1, below.

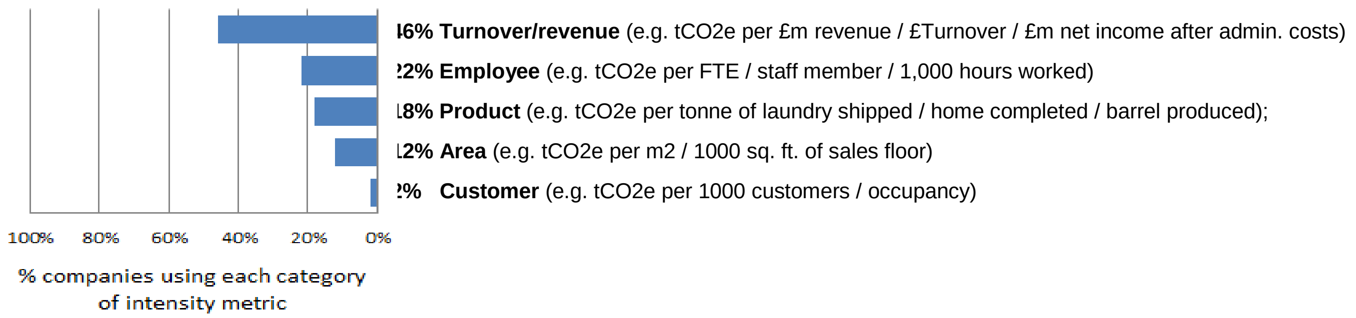

Figure 1. Top five categories of intensity metric used by FTSE 350 companies.

3.48. Although it may pose some challenges to select the most appropriate intensity metric for a company with mixed activities, it should not be burdensome to calculate such a metric. It is also open to companies to report more than one intensity metric if they feel this is more informative. Guidance could be used to suggest appropriate sectoral metrics.

Reporting standards and types of emissions

3.49. The UK government recognises that international standards exist for GHG reporting[48], and that voluntary reporting schemes exist[49]. It is not the UK government's intention to create new standards, but simply to get all companies in scope reporting more consistently (on energy, carbon and an intensity metric using available standards), limiting the administrative burdens on those already reporting.

3.50. The UK government proposes that GHG emissions be defined in the same way as 'greenhouse gas' is defined in section 92 of the Climate Change Act 2008 (carbon dioxide, methane, nitrous oxide, HFCs, PFCs and SF_6[50]), reported as tonnes of CO_2 equivalent. Companies would be allowed to calculate their GHG emissions by reference to any

[47] http://www.cdsb.net/ftse350
[48] E.g. GHG Protocol http://ghgprotocol.org/standards, ISO14064-1 http://www.iso.org/iso/catalogue_detail?csnumber=38381, and the Carbon Trust https://www.carbontrust.com/resources/guides/carbon-footprinting-and-reporting/carbon-footprinting/
[49] E.g. CDP https://www.cdp.net/en, Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB)
[50] It is planned that NF3, or Nitrogen Trifluoride, will be added to the definition of 'greenhouse gas' in the Climate Change Act

available methodology/standard[51], as is currently permitted for UK quoted companies. This would allow participants, and those wishing to report on GHG emissions voluntarily, to rely on the extensive international guidance on emissions reporting already available, including on handling such issues as reduced emissions or 'dual reporting' of emissions from certificated green energy supplies.

3.51. Such guidance includes reporting of upstream and downstream Scope 3 emissions, which could optionally be included where companies wish to go further than the minimum. This would allow companies who choose to partner with more environmentally friendly suppliers, and sell greener products and services to reflect the carbon savings in their reports if they so wished. The GHG emissions calculation method/standard used would be disclosed, along with the source of the emissions conversion factors.

3.52. As set out in paragraph 1.11, CCA and EU ETS energy use / emissions would be excluded when determining whether a company reaches the qualification threshold under Population Approach B (6GWh of electricity use, as used in Option 2 in the IA), However, once this threshold is reached, CCA and EU ETS energy use / emissions would need to be reported. The UK government proposes that as far as practicable, and considering fit with recognised energy and carbon reporting standards and best practice, those companies reporting in the CCAs, EU ETS (and for the oil and gas industry via the Environmental and Emissions Monitoring System [EEMS][52]) should be able to re-use data

Consultation Question

Q10.	Please state where you agree that UK quoted companies should continue, or start to report, on one or more of the following a) global Scope 1 and 2 GHG emissions b) an intensity metric, and start to report on c) 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.
Q11.	Do you agree that UK unquoted companies in scope should report on a) total UK energy use, b) Scope 1 and 2 GHG emissions associated with UK use c) an intensity metric? Please explain your answer. Do you agree that only electricity, gas and transport energy should be in scope for unquoted companies? [Yes or No]. Please explain your answer, and if no please set out what you think the scope should be.
Q12.	Should the government a) mandate the use of specific intensity metrics by sector; b) propose best practice in any guidance; or c) leave the matter to sectors, and to existing best practice and guidance?

[51] E.g. GHG Protocol http://ghgprotocol.org/standards, ISO14064-1 http://www.iso.org/iso/catalogue_detail?csnumber=38381, and the Carbon Trust https://www.carbontrust.com/resources/guides/carbon-footprinting-and-reporting/carbon-footprinting/
[52] https://www.gov.uk/guidance/oil-and-gas-eems-database

to comply with these energy and carbon reporting obligations.

Reporting of complementary energy and carbon information

3.53. The UK government is also interested in exploring whether additional reporting elements could drive further action to reduce energy uses and cut costs, e.g. also reporting on any **identified energy savings opportunities and energy efficiency action taken**. (Option 4 in the IA considers this additional disclosure requirement).

3.54. Making annual reporting of energy efficiency opportunities and actions mandatory, in addition to the proposals above, could maintain momentum between energy audits which large undertakings are required to carry out at least every 4 years under ESOS (it is not proposed that the new reporting framework would oblige any company not already doing energy audits to start doing audits to identify energy efficiency opportunities), and increase the focus on continuous improvement. It could be reported as the top three measures across the company for potential energy savings, in a similar way as is done for Energy Performance Certificates (EPCs) at a building level. There is evidence that forward-looking reporting has the potential to be more powerful in gaining board level attention, making specific opportunities for action more salient than simple MWh or tCO_2 figures.[53]

3.55. CRC evaluation[54] and stakeholder feedback have indicated that highlighting the scale of energy spend, the costs of inaction when energy saving opportunities are not realised, and forecasting the future scale of such costs are potentially valuable elements of reporting. Company targets for energy or emission reduction may also be useful features of disclosures. Building level reporting for example on energy use or emissions per m^2 may also be valuable to certain types of company, and such data could aid in development of standards for a ‘Green Bond’ market. The UK government is keen to understand what other mandatory disclosures, voluntary disclosures or potentially internal reporting might usefully be required or supported through guidance.

3.56. Once companies have taken steps to reduce their energy use, they may choose to offset their residual emissions using international or domestic carbon credits. This offsetting impact and the resulting net emissions could also be reported. If more companies did this using domestic schemes[55] it could drive additional action in the UK, supporting the development of domestic carbon markets.

3.57. The TCFD argues that it is important to undertake historical analyses such as carbon and emissions reporting but also engage in forward-looking analysis when considering the potential financial impacts of climate change on an organisation – with greater need for forward-looking analyses to inform their strategic and financial planning. Companies implementing the TCFD recommendations will need to understand the impacts of climate change on the financial metrics of their business, and highlight what steps they have taken to manage these implications. Companies might find it useful to model current energy use against a range of scenarios to illustrate the cost of inaction and inform investment decision.

3.58. The UK government endorsed the recommendations in the recently launched plan to promote clean growth and accelerate green finance, which marks a positive step forward.

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[53] See footnote 3
[54] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445719/CRC_evaluation_synthesis_report_FINAL_150709.pdf
[55] e.g. through Woodland Carbon Code (http://www.forestry.gov.uk/carboncode) accredited schemes or other certified projects

Indeed, the integration of climate change information into mainstream financial filings may lead to better awareness and management of climate related issues by companies and investors. We recognise that there are synergies between the TCFD recommendations and the reporting frameworks proposed in this consultation. We want to ensure that proposals for strengthening disclosure of financial risk related to climate change and other climate related data are complimentary and the burden of preparing disclosures is minimised for companies.

Consultation Question	
Q13.	A) 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 or No] and ii) any energy efficiency action taken? [Yes or No] B) Building on the energy and carbon disclosures proposed here, please provide views on whether in the long-term any of the TCFD recommended voluntary disclosures should become mandatory disclosures within companies' annual reports. C) Please specify what support government could provide to support uptake of TCFD disclosures by companies from all sectors. D) Reporting of what other complementary information would add most value for businesses, the market and other stakeholders?

4. Guidance

The UK government will consider in future what guidance might be needed for companies to effectively and easily comply with reporting.

4.1. We will consider whether revising the guidance currently provided by the UK government on GHG reporting might better support such reporting under streamlined energy and carbon reporting from 2019, as well as voluntary measurement and reporting of GHG emissions.

Guidance to support mandatory reporting

4.2. The UK government will consider whether, in light of the proposals for streamlined energy and carbon reporting, any further or updated guidance on GHG reporting aspects[56] would be needed given the availability of extensive international GHG reporting guidance[57].

4.3. The new reporting policy proposes the inclusion of energy use and intensity metrics. We are also interested in views on additional reporting on energy efficiency opportunities identified and action taken to implement these, and other complementary information. The UK government will consider what guidance, including potential templates, might be needed for companies to effectively and easily comply with any such requirements, and ensure that any such guidance fits the needs of businesses in scope across the UK.

Guidance to support voluntary reporting

4.4. Organisations of all sizes and levels of energy consumption stand to benefit from better understanding the way they use energy, their emissions, and their opportunities to save energy and so reduce their energy costs. Although the policy proposal is to target either A) all large companies, or B) company groups who use over 6GWh of electricity in a year (or potentially C) another subset of large companies using significant amounts of energy), the UK government wishes to support other organisations that want to participate voluntarily, and will consider this in preparing any future guidance. We also want to ensure companies receive the support they need from government to encourage them to implement the voluntary TCFD recommendations (see para 3.57).

Consultation Question	
Q14.	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 and ii) for companies to implement the TCFD recommendations in financial disclosures.

[56] Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance, produced under Section 83 of the Climate Change Act 2008 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206392/pb13944-env-reporting-guidance.pdf

[57] Previous work on current guidance – including Defra consultations on 1) revising 'GHG reporting guidelines - 2014 update' https://consult.defra.gov.uk/climate-change/ac04ad33 and 2) shortening (as part of its 'Smarter Guidance' review) 'How do I report greenhouse gas emissions? http://webarchive.nationalarchives.gov.uk/20150423095755/http://guidanceanddata.defra.gov.uk/sustainability-and-energy-efficiency/user_stories/how-do-i-report-greenhouse-gas-emissions/ – was put on hold owing to the 2015 business energy efficiency tax review, and subsequent proposals to consult on reporting.

5. Complementary policies

Reporting will be most effective when aligned with and complemented by other policy levers.

Complementary policies

5.1. We are conscious that reporting is most effective when coupled with other policy approaches e.g. price signals (to be provided by the reformed CCL), incentives and standards, and would welcome views on other complementary approaches that could be taken to deliver cost-effective energy efficiency improvements.

5.2. This evidence will help to inform and shape our thinking on the different forms of incentives, reporting mechanisms or other regulation, that may be needed to help these sectors reduce their emissions, invest in energy efficiency and decarbonisation, and improve their competitiveness and productivity going forward. It will also feed into work on the independent review into the cost of energy, the Clean Growth Strategy and the Industrial Strategy.

5.3. There may also be a role for voluntary schemes, such as SEPA's (the Scottish Environmental Protection Agency's) Sustainable Growth Agreements[58] (SGAs). SGAs are voluntary formal agreements between SEPA and an organisation (or organisations) that focus on practical action to deliver environmental outcomes. They are likely to be signed with individual businesses, but can also be with groups of businesses, trade bodies, local authorities, Non-Governmental Organisations (NGOs) and others. SGAs can help organisations collaborate with experts, innovators and stakeholders on different approaches that could improve environmental performance and also help create commercial and social success.

Consultation Question	
Q15.	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.

[58] http://www.sepaview.com/2017/03/sepa-launches-first-sustainable-growth-agreement/

6. Views & evidence for the future

The UK government is interested to hear views on options to improve the reporting regime in the future.

Electronic central reporting and publication, and the role of an administrator / regulator

6.1. The proposals put forward in Chapter 3 for reforms from 2019 could be built upon or replaced to create a still better regime, and the UK government would welcome views and evidence on whether such enhancements would be a good idea. A future alternative approach to reporting solely within existing systems and processes to Companies House would be to:

- use a central IT portal through which businesses would report their energy and carbon data, and
- have a single central energy and carbon data set published, and
- introduce administrative and regulatory functions to assure the integrity of the data submitted, and companies' compliance.

However, it is not proposed that all these arrangements would feature in the immediate reforms of the reporting landscape to apply from 2019.

6.2. This approach might be achieved through either:

i) amending the Companies Act regime to add new features (if electronic reporting not immediately introduced, most consistent with streamlining), and complementing this as necessary with activity by government

ii) replacing the proposed regime with a new dedicated central reporting regime, or

iii) placing such a dedicated regime alongside these proposals.

These options are described further below (Table 4), and pros and cons explored Table 5), the options for the reporting population ('who') and the content of reports ('what') are set out in Chapter 3 above.

6.3. In all cases delivering both central IT reporting and publication and dedicated administration and regulatory oversight would not be possible by 2019. Nonetheless both could be in place further in the future, if such arrangements were thought to have benefits that outweighed the costs, and so the UK government is interested to hear views on options to put such arrangements in place.

6.4. In Chapter 3 the UK government proposes that from 2019 energy and carbon reporting should be electronic, but notes there are issues and trade-offs to consider. Approach i) below is set out on the basis that this aspect of reporting might be deferred to a future enhancement of the policy, alongside any arrangements for additional administrative and regulatory activity.

6.5. Any such future enhancements to reporting would take account of the devolution settlement in each of the Devolved Administrations across energy efficiency, climate change and business regulation. In relation to Wales, any such future policy would also take into account the forthcoming commencement of the Wales Act 2017 which will introduce a 'reserved powers model' of legislative competence.

	i) Amend the Companies Act regime to add new features, and complement as necessary with activity by government	ii) Replace proposed regime with new dedicated central reporting regime	iii) Place new dedicated reporting regime alongside proposals
Data submitted annually to	Companies House electronically (XBRL) - operates UK-wide	New single, UK-wide central IT portal	
Dedicated energy & carbon reporting administrator	Administrator unlikely to be dedicated – any additional energy & carbon reporting administrative powers and functions would need to sit within the Companies Act regime, and could fall to e.g. Companies House	Yes – nominated by the relevant national authority, responsible for central IT portal and guidance	
How is central data set provided	Complementary activity by government to collate public electronic Companies House data and publish this (would not require new legislation)	New administrator collates energy & carbon data and any associated records from businesses, collected via central IT portal, into single central data set to publish	
Dedicated energy & carbon reporting compliance and enforcement	There is no existing dedicated regulator – any compliance monitoring and enforcement activity would need to be developed, aligned to the Companies Act regime	Yes – regulator nominated by the relevant national authority could be responsible for performing compliance checks on submissions against specified standards. This could be the same body as administrator, or work closely, and play an enforcement role where qualifying businesses were not compliant. A dedicated compliance regime might require participants to retain records to demonstrate compliance for the purpose of scheme audits, and would be required to allow site access for audits. A regime including compliance notices and penalties would apply, along with routes of appeal.	
Guidance	BEIS could provide any required guidance and advice (see Chapter 4). If an existing or new body was provided with new powers and functions, they might provide guidance instead. (Companies House may be responsible for technical i.e. XBRL electronic submission guidance)	Provided by regulator(s), or by administrator(s) nominated by the relevant national authority to run the central portal	
Senior management sign-off	Yes - as per Companies Act rules	Yes - according to new rules that could be defined	

	i) Amend the Companies Act regime to add new features, and complement as necessary with activity by government	ii) Replace proposed regime with new dedicated central reporting regime	iii) Place new dedicated reporting regime alongside proposals
Reporting boundary	As per Companies Act rules (see para 3.37)	Rules to determine who was responsible for energy use and emissions would need to be set, and the rules could say that whoever consumes and pays for an energy supply is responsible for reporting its use and associated emissions.	
Registration and 'phasing'	Annual reporting with no separate registration beyond current Companies Act requirements, 'phases' not appropriate (para 3.20 notes 'smoothing rules' apply to annual reporting)	A dedicated scheme might best run in 'phases', and this could operate via a registration process, for example once every 4 years (to align with ESOS) or 5 years (like CRC). Under this approach, the first and subsequent qualification dates would need to be set. The UK government would consider how to handle organisations close to the qualification threshold, and those that may cross the threshold between qualification assessments, when developing the detailed scheme rules.	
Reporting period and deadlines	As per Companies Act rules	It may be appropriate to fix the data collection period, for example to a calendar year. The deadline for annual reporting data to government could be 1 May to be consistent with the CCA deadline.	
Integration with other energy & carbon data	Unlikely as administrator not shared – although government could seek to bring this data together with other data sets	If there was a common administrator, it may be possible to explore how energy and carbon reporting and data from other regimes (such as CCAs) could be integrated, to provide a more holistic regime while not requiring organisations to measure and report the same information twice. However, this would likely require changes to the CCA (or any other) scheme.	
Fees	We do not propose additional costs to participants. Government would need to carry out and fund any additional administrative and regulatory activity e.g. around checking and collating published data.	Administrator would probably have the power to impose fees on participants to cover costs, including of running dedicated central IT portal. The details of any charges would be covered in a future consultation; however it may be that the annual scheme charge would fall within the range of £185 (CCAs[59]) and £1290 (CRC[60]) per participant (noting that scheme charges are subject to review[61]). The simpler the administrative process, the lower the cost, and we would ensure costs are kept as low as possible.	

Table 4. Description of three options for future alternatives to current reporting to Companies House, which allows paper filing, and has no dedicated energy & carbon oversight

[59] https://www.gov.uk/government/publications/climate-change-agreements-charging-scheme-april-2013

[60] https://www.gov.uk/government/publications/carbon-reduction-commitment-crc-energy-efficiency-scheme-april-2013-to-march-2014

[61] https://www.gov.uk/government/collections/environment-agency-charging-schemes#charging-consultations

	Benefits	Issues
Electronic reporting – with central reporting & publication (ii) & (iii), or to Companies House with complementary data collation & publication (i) *when compared to reporting through annual reports on paper to and published by Companies House*	• it would provide a central digital data set, rather than 1000s of individual pieces of data, potentially as scanned images. Mandating digital reporting (of energy & carbon data only) to Companies House would facilitate the automated creation of such a single data set (as software could automatically extract XBRL energy & carbon data, to allow government to publish this easily); • this in turn would avoid the need for third parties to trawl and collate 1000s of reports, making the information more market-useful; • this central data set may also be more useful to government for policy making	• under i) and as noted in Chapter 3, if electronic reporting to Companies House necessitates a separate energy & carbon report, it would have the potential downsides of a) separating energy & carbon data from the other aspects of annual reports, potentially reducing the salience of the information with internal decision makers, and with less awareness raised with external stakeholders, b) introducing the risk of technical submission errors as companies learn to apply a new electronic submission standard within a relatively short time period, potentially damaging the integrity of published energy & carbon data, and c) making it challenging for timeliness to be monitored, as it would apply to only a subset of companies • under ii) and iii) it would be a new, separate process potentially with additional burdens on businesses (especially those not currently reporting under the CRC). Companies formed and registered under the Companies Act 2006 (with some exceptions) already make returns to Companies House, whereas participants may need to undergo registration for a new scheme. The less aligned with existing reporting practices, the greater the potential administrative burdens of the scheme; • if (ii) we replaced the current proposed scheme, implementing reforms proposed here would arguably have been a waste of government and business resources • if (iii) we sit it alongside the current proposed scheme, there may be risk of duplication • reforms would need to consider what might need to change to maintain appropriate GHG reporting by UK quoted companies. If we replaced the current proposed scheme, it is likely we would abolish separate reporting of GHG emissions in the annual reports of UK quoted companies to maintain a single framework with central reporting – would this be desirable? Or how else might the reformed regime work to meet the needs of investors and others? In this circumstance it could be retained, but it would not be a single reporting framework; • if we replaced the current proposed scheme,

	Benefits	Issues
		investors would not be able to look in one place for all the information they sought on companies – it would be separated from financial and other non-financial information, counter to industry proposals from the Taskforce on Climate-related Financial Disclosures; • ii) and iii) would require £millions upfront spend by government from public money to design, build, test and roll-out the dedicated central portal, which would also take time and could delay reforms;
Energy & carbon administrator(s) and regulators(s) *when compared to embedding energy and carbon reporting within the Companies Act regime*	• under ii) & iii) a central administrator may be able to join up with other government schemes that collect energy/emissions data to provide for more holistic reporting and reduce duplication of reporting; and • dedicated administrator(s) and regulator(s) with specialist knowledge on energy and carbon reporting might better support compliance to improve the quality of data.	• under ii) & iii) companies are likely to be charged fees to cover the administration costs of the scheme, or otherwise that, • along with enforcement costs – which would also fall to government under i) – government would need to pay these administration costs out of public funds; • under i) to ensure alignment with the wider Companies Act regime it is likely that any energy and carbon reporting administrative and regulatory functions would be limited. We do not propose additional fees would be charged.

Table 5. Pros and cons of central electronic reporting and publication, and energy & carbon reporting administrative and regulatory oversight

Request for evidence and views on longer term options

Q16.	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

	(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 (ii) replacing reporting to Companies House with a new dedicated central IT portal, the data from which could be published (iii) placing such a dedicated central IT portal alongside the current proposals 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 (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.
Q17.	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.
Q18.	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.

Glossary of terms

Annual report: describes a company's activities for the preceding financial year, intended to give shareholders (and other interested parties) information about the company's activities and financial performance.

Climate Change Agreements (CCA): are voluntary agreements that currently allow eligible energy-intensive sectors to receive up to 90% reduction in the Climate Change Levy if they sign up to stretching carbon or energy efficiency targets agreed with government.

Climate Change Levy (CCL): is an energy tax levied on the supply of energy to business and public sector consumers on taxable commodities. The main rates of the CCL are intended to change behaviour to reduce energy consumption.

Company: As defined under Section 1 of the Companies Act 2006[62]

CRC Energy Efficiency (CRC) scheme: a mandatory scheme requiring participants to monitor and report energy use and to buy and surrender carbon allowances, and is designed to incentivise energy efficiency and cut emissions in large energy users in the public and private sectors across the UK.

Directors' report[63]: the directors of a company must prepare a directors' report for each financial year of the company with the names of the persons who, at any time during the financial year, were directors of the company (and other information required by law).

Energy Savings Opportunity Scheme (ESOS): is a scheme to encourage large undertakings, not including public bodies, to save energy through requirements to measure energy and conduct energy audits which identify cost-effective energy saving measures including on supplies to buildings, industrial processes and transport.

Environmental and Emissions Monitoring System (EEMS): provides measured and calculated data relating to emissions from offshore installations and associated onshore terminals. The system is managed by Collabro and is accessible to government through BEIS, industry and Oil & Gas UK.

Mandatory GHG Reporting (MGHG): The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410 as amended) require all UK quoted companies to report in their Directors report (to the extent it is practical for the company to obtain the information) the amount of GHG (Greenhouse Gas) emissions (as defined in section 92 of the Climate Change Act 2008) from activities for which that company is responsible (including the combustion of fuel and the operation of any facility) and from the purchase of electricity, heat, steam or cooling for its own use. Quoted companies are also required to disclose their methodologies and at least one ratio which expresses the company's annual emissions in relation to a quantifiable factor associatied with the copmany's activities. Guidance can be found here: https://www.gov.uk/guidance/measuring-and-reporting-environmental-impacts-guidance-for-businesses

Quoted company: from section 385 of the Companies Act 2006, a quoted company is a company that is UK incorporated and whose equity share capital is officially listed on the Main Market of the London Stock Exchange or in an EEA State, or admitted to dealing on either the New York Stock Exchange or Nasdaq.

Small company: a company qualifies as small according to the criteria in sections 382 and 383 of the Companies Act 2006, i.e. if during a financial year two or more of the following requirements are met: turnover not more than £10.2 million; balance sheet total not more than £5.1 million; no more than 50 employees. A parent company qualifies as a small company only if the group headed by it qualifies as a

[62] http://www.legislation.gov.uk/ukpga/2006/46/section/1
[63] Sections 415 and 416 of the Companies Act 2006

small group. A company is subject to the small companies regime if it is small and not excluded from the regime (s384 of the Companies Act 2006)

Small group: a group qualifies as small according to the criteria in section 383 of the Companies Act 2006, i.e. if during a financial year two or more of the following requirements are met on an aggregated basis: aggregate turnover is not more than £10.2 million net (or £12.2 million gross); aggregate balance sheet total not more than £5.1 million jet (or £6.1 million gross); no more than 50 employees aggregated across the group.

Strategic Report[64]: the directors of a company (unless exempt under the small companies regime) must prepare a strategic report for each financial year of the company to inform members of a company in order to help them assess how the directors have performed their duty to promote the success of the company. The strategic report must contain a fair review of the company's business, and a description of the principal risks and uncertainties facing the company (and other information required by law).

Unquoted Company[65]: a company that is not a quoted company.

[64] Section 414A of the Companies Act 2006
[65] Section 385(3) of the Companies Act 2006

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