

Streamlined Energy and Carbon Reporting (SECR) is coming: Are you prepared?

The end is nigh for CRC - Streamlined Energy and Carbon Reporting (SECR) is coming: Are you prepared? Contact Consultus' compliance team for immediate support.

In October 2017, the Department for Business, Energy and Industrial Strategy (BEIS) released an open consultation: 'Streamlined energy and carbon reporting' (SECR). On 18th July 2018 Government published their response to the consultation, announcing the SECR framework will be UK-wide, with proposals being implemented through the Companies Act 2006.

As of April 2019, the new SECR reporting framework relating to public disclosure of carbon and energy use, will come into effect and will apply to all quoted companies and large UK incorporated unquoted Companies with more than 250 employees, an annual turnover of £36+ million, or an annual balance sheet of £18+ million.

The government are widening the reporting requirements out to 11,900 UK businesses, rather than the 1,200 covered by the previous Carbon Reduction Commitment (CRC) framework.

"The new SECR reporting framework will come in to effect in April 2019"

Where a parent company is not registered in the UK but has subsidiaries that are registered in the UK, these subsidiaries, if qualifying for SECR in their own right, would need to report. The SECR framework would also apply to large Limited Liability Partnerships (LLP's) and certain unregistered companies and will need to include the required SECR information in their 'Energy and Carbon Report' in the same way as registered companies do in their directors' reports.

The reporting includes data on carbon emissions and any energy efficiency measures put in place within the company, together with mandatory disclosure of global energy use currently reported by quoted companies under mandatory greenhouse gas (MGHG) reporting since 2013. The SECR framework should as a minimum include electricity, gas and transport, with transport defined as road, rail, air and shipping (and the associated scope 1&2 emissions).

The government hope that the SECR framework will improve energy efficiency by 20% by 2030 and that an enhanced suite of reporting and measures should support the UK's long term target to reduce emissions by at least 80% against 1990 levels by 2050.

Businesses must publicly share their SECR information unless it is believed that revealing it would be "seriously prejudicial" to the company. The introduction of a formal statutory de-minimus threshold set at 40,000 kWh per annum exempts companies with energy usage below the threshold from reporting.

This approach aligns with the Energy Saving Opportunity Scheme (ESOS). An exemption to SECR reporting would also apply to those unquoted companies where it would not be practical to obtain some or all of the SECR information. Further, UK subsidiaries that qualify for SECR in their own right will not be required to report, where they are covered by a parent's group report (although they may report individually on a voluntary basis). Companies that are not registered in the UK (non UK incorporated) are not obliged to file annual reports at Companies House, and will therefore, fall outside the scope of the mandatory SECR framework.

Legislation- Impacts

The requirements fall under the new Streamlined Energy and Carbon Reporting (SECR) framework, which will be replacing the Carbon reduction Commitment (CRC) Energy Efficiency Scheme. The framework should build upon the existing mandatory Energy Savings Opportunity Scheme (ESOS) and greenhouse gas emissions reporting by UK eligible companies.

The Order in Council to close CRC UK-wide after the current phase has been laid before Parliament and is expected to come into force on 1st October 2018. The regulations, 'The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018', to implement SECR for financial years beginning on or after 1 April 2019 have been laid before Parliament and are subject to parliamentary approval. The regulations make changes to the reporting requirements and extend to the whole of the United Kingdom, reflecting the extent of the Companies Act 2006 (the "2006 Act") and the extent of the Limited Liability Partnerships Act 2000.

The regulations include provision that, where the member fails to take all reasonable steps, it is a criminal offence to either:

- Fail to comply with a duty to prepare an energy and carbon report
- To approve an energy and carbon report that does not comply with the statutory requirements.

LLP's are under a duty to prepare an energy and carbon report and will be liable to the civil penalties under the Companies (Late Filing Penalties) and Limited Liability Partnerships (Filing Periods and Late Filing Penalties) Regulations 2008 (S.I. 2008/497) if it fails to comply with the filing requirements in section 441 of the 2006 Act.

Consultus Compliance team can provide the following services to clients:

- To deliver SECR Reporting which includes the provision of a narrative commentary on energy efficiency action taken in the financial year for quoted, large unquoted companies and large LLPs.
- To audit energy use and complete ESOS phase 2 before the ultimate deadline of 5th December 2019. Organisations that fall into ESOS regulations are now conducting audits to identify their cost-effective energy efficiency opportunities for ESOS Phase 2.
- Where clients have successfully completed ESOS Phases 1 and 2, the team can assist clients to bind them with the SECR reporting.
- International standards such as ISO 50001 for energy management.
- Energy intensive sectors to report emissions through Climate Change Agreements (CCAs) and EU Emissions Trading System (EU ETS).
- The Greenhouse Gas (GHG) Protocol - GHG reporting, which is a mandatory requirement for all UK quoted companies.

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Please get in touch for further information and to see how we can help your organisation to comply with regulations.

