

Streamlined Energy & Carbon Reporting: What to Report?



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What to Report in 2021

The requirements for both quoted and unquoted companies/limited liability partnerships under new SECR requirements are shown below.

Do I need to report?

Quoted companies and those that are unquoted or limited liability partnerships that have in two out of three of the following: excess of 250 employees, net turnover of £36 million or balance sheet in excess of £18 million, need to report emissions with their audited financial accounts for all financial years ending on the 31st March 2020 or thereafter.

Quoted companies need to report:

Combustion of fuel in three categories.

1. Stationary fuel combustion. e.g boilers, heating
2. Mobile fuel combustion e.g vehicles
3. Global energy use

Emissions from your supply chain and indirect impacts should be considered for reporting to give a clear picture of emissions impact to investors and shareholders, especially where that may create financial risk.

Large unquoted companies and LLPs need to report:

1. Electricity
2. Gas
3. Transport

For details see the extract below from the full reporting guidelines issued by the UK Government.

Extract from Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019 (Updated Introduction and Chapters 1 and 2). Pages 36-41

Full document link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/En-v-reporting-guidance_inc_SECR_31March.pdf

Should quoted companies report all their emissions?

Quoted companies may determine the scope and boundaries of their reporting emissions as determined in the GHG protocol and state these clearly, such as the use of the operational control approach. Where alternative reporting methodologies are used, these should be referenced clearly.

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You are required to quantify and report on emissions of the following greenhouse gases²⁸ - carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). Additionally, while not a legal requirement, you should consider reporting on nitrogen trifluoride NF₃, especially if material to your operations.²⁹ You are not required to give individual figures for emissions of each of the GHGs listed, although it is an option. Indeed, few companies will emit all the GHGs listed. However, ***you must state in your Directors' Report the annual quantity of GHG emissions in tonnes of carbon dioxide equivalent (CO₂e) including from the following emission sources:***

The combustion of fuel, e.g. •Stationary combustion: combustion of fuels in stationary equipment such as boilers, furnaces, burners, turbines, heaters, incinerators, engines, flares, generators etc.²⁸ As defined in section 92 of the Climate Change Act 2008²⁹ Nitrogen Trifluoride (the 7th direct GHG required to be reported by signatories to the Kyoto Protocol) is not listed under s.92 and is thus not a reporting requirement until such time an order is made to amend the definition.³⁰ See paragraph 15(2) of Part 7 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Quoted companies must report on emissions from activities for which they are responsible.

Mobile combustion: *combustion of fuels in transportation devices such as automobiles, trucks (including fork-lifts), buses, trains, airplanes, boats, ships, barges, vessels, etc; or those, such as mobile plant or cranes, used for construction or excavation activities. b) The operation of any facility. This category is not limited to emission sources that are permanent, land-based or stationary. This category would also include emission sources that are mobile; temporary, e.g. mobile offices; and marine-based, e.g. oil production platforms.*

The following types of sources of emissions should be considered when identifying emissions on which to report:

Process emissions: emissions from physical or chemical processes such as CO₂ from the calcination step in cement manufacturing, CO₂ from catalytic cracking in petrochemical processing, PFC emissions from aluminium smelting, etc.

Fugitive emissions: intentional and unintentional releases, such as equipment leaks from joints, seals, packing, gaskets, as well as fugitive emissions from coal piles, wastewater treatment, pits, refrigerants, cooling towers, gas processing facilities, etc.

A separate figure giving the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the company for its own use.

In the case of companies that are lessees of an emission source, they should decide if they have responsibility for emission sources or if they have operational control over the emission sources, e.g. if electricity, heat, steam or cooling has been purchased for their own use. If you decide that you do have responsibility for emissions, either as a lessee or as a lessor, but cannot get the consumption data necessary to calculate the emissions, then you may either estimate the emissions or state that emissions from the building are excluded and explain why (see the sub-section on "Comply or explain" in section 3).

The totals arrived at from the above are broadly similar to Scope 1 (direct emissions from controlled or owned sources – which includes those from combustion of fuel and operation of facility) and Scope 2 (indirect energy emissions from generation of purchased energy) of the GHG Protocol Corporate Standard and the direct emissions and energy indirect emission categories of ISO 14064-1. ³¹ GHG Protocol Corporate Accounting and Reporting Standard.³² See paragraph 15(3) of Part 7 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

You are not required to report on other emissions associated with inputs into your company (such as emissions from your supply chain) or emissions linked with outputs from your company (such as emissions from your products when they are used by your customers). However, you should consider reporting these separately to give a wider picture of your organisation to investors and shareholders and where these expose the reporting company to material risks, opportunities or financial impacts (see the recommendations on Scope 3 emissions in the following chapter on voluntary reporting). Having established the activities for which you are responsible, you may also wish to consider whether particular emissions are material to the total of your company emissions. Materiality will depend on the circumstances of your individual company. It will be influenced by issues such as the size and nature of an operation (please see further guidance on 'Materiality' in section 9).

Global energy use For financial years starting on or after 1 April 2019, quoted companies will be required to present the underlying global energy use data that was used to calculate their GHG emissions. This must be calculated in kWh. Where information has been converted to kWh from other units e.g. transport information collected in litres of fuel this should be covered in the methodology. If any of this information is not practical to obtain, the legislation requires the fact of that omission be disclosed.

7. SECR reporting requirements for large unquoted companies and large limited liability partnerships

Unquoted organisations in scope of SECR are required to report:

UK energy use Changes made by the 2018 Regulations require large unquoted companies to report on UK energy use, and the associated GHG emissions, that relate to:

- **Activities for which you are responsible involving the combustion of gas, or consumption of fuel for the purposes of transport; and**
- **The purchase of electricity by the company for its own use, including for the purposes of transport.** The report must disclose a figure, in kWh, of the annual quantity of energy consumed in the ways set out above. If you are an offshore undertaking (i.e. if your activities consist wholly or mainly of offshore activities as defined in the 2018 Regulations), you must disclose your energy use and emissions for the UK and the offshore area.

Electricity The relevant business report must include the annual quantity of energy consumed in the UK resulting from the purchase of electricity by the company for its own use, including for the purposes of transport.

Gas combustion The relevant Report must include the annual quantity of energy consumed from stationary or mobile activities for which business is responsible involving the combustion of gas. "Gas" is defined, except in the definition of "offshore activity", as any combustible substance which is gaseous at a temperature of 15 degrees Celsius and a pressure of 101.325 kPa (1013.25 mb) and which consists wholly or mainly of methane, ethane, propane, butane, hydrogen or carbon monoxide, or a combination of those, or a combustible mixture of those and air.

Transport The relevant Report must include the annual quantity of energy consumed from activities for which the company is responsible, involving the consumption of fuel for the purposes of transport (as well, as above, from the purchase of electricity for its own use, including for the purpose of transport). Total energy use must include energy consumption from transport where the organisation is supplied with the fuel for business purposes, not where a transportation service is procured that includes an indirect payment for the fuel consumption. *Therefore, only transport where the organisation is responsible for purchasing the fuel is required for mandatory reporting by unquoted companies and LLPs under the SECR framework.*

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Energy consumed for the purposes of transport means energy used by a road going vehicle, a vessel, an aircraft or a train during any journey which:

- a) starts,
- b) ends, or both starts and ends within the United Kingdom.

The following activities should be included in your calculation of your total energy consumption:

- Fuel used in company cars on business use.
- Fuel used in fleet vehicles which you operate on business use
- Fuel used in personal/hire cars on business use (including fuel for which the organisation reimburses its employees following claims for business mileage).
- Fuel used in private jets, fleet aircraft, trains, ships, or drilling platforms which you operate.
- Onsite transport such as fork-lift trucks.

The following activities are not required to be included in your calculation of your total energy consumption but may be reported separately (including as part of Scope 3 emissions):

- Fuel associated with train travel of your employees where you do not operate the train.
- Fuel associated with flights your employees take where you do not operate the aircraft.
- Fuel associated with taxi journeys your employees take where you do not operate the taxi firm.
- Fuel associated with transportation of goods where you subcontract a firm or self-employed individual to undertake this work for you.