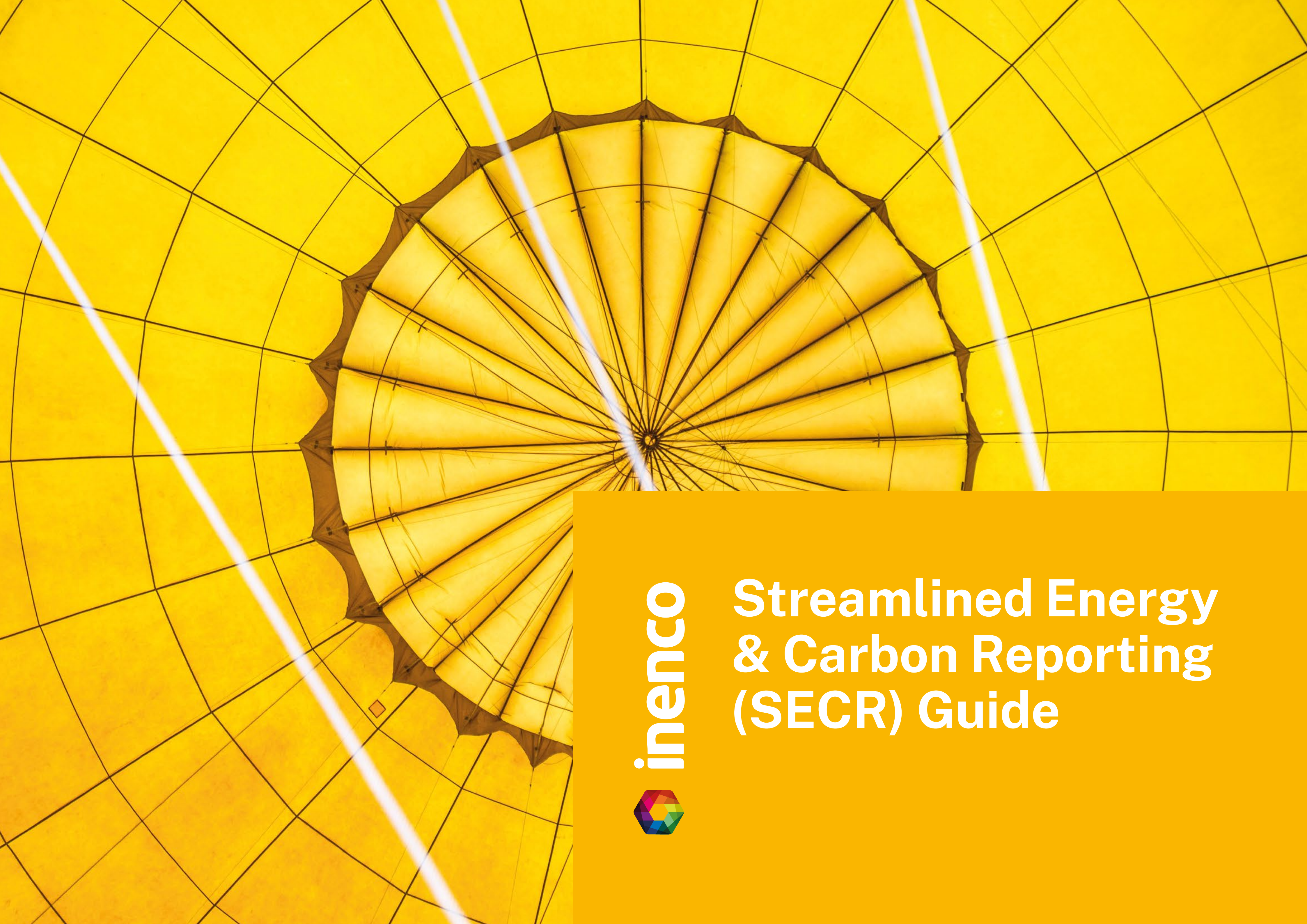

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Streamlined Energy & Carbon Reporting (SECR) Guide

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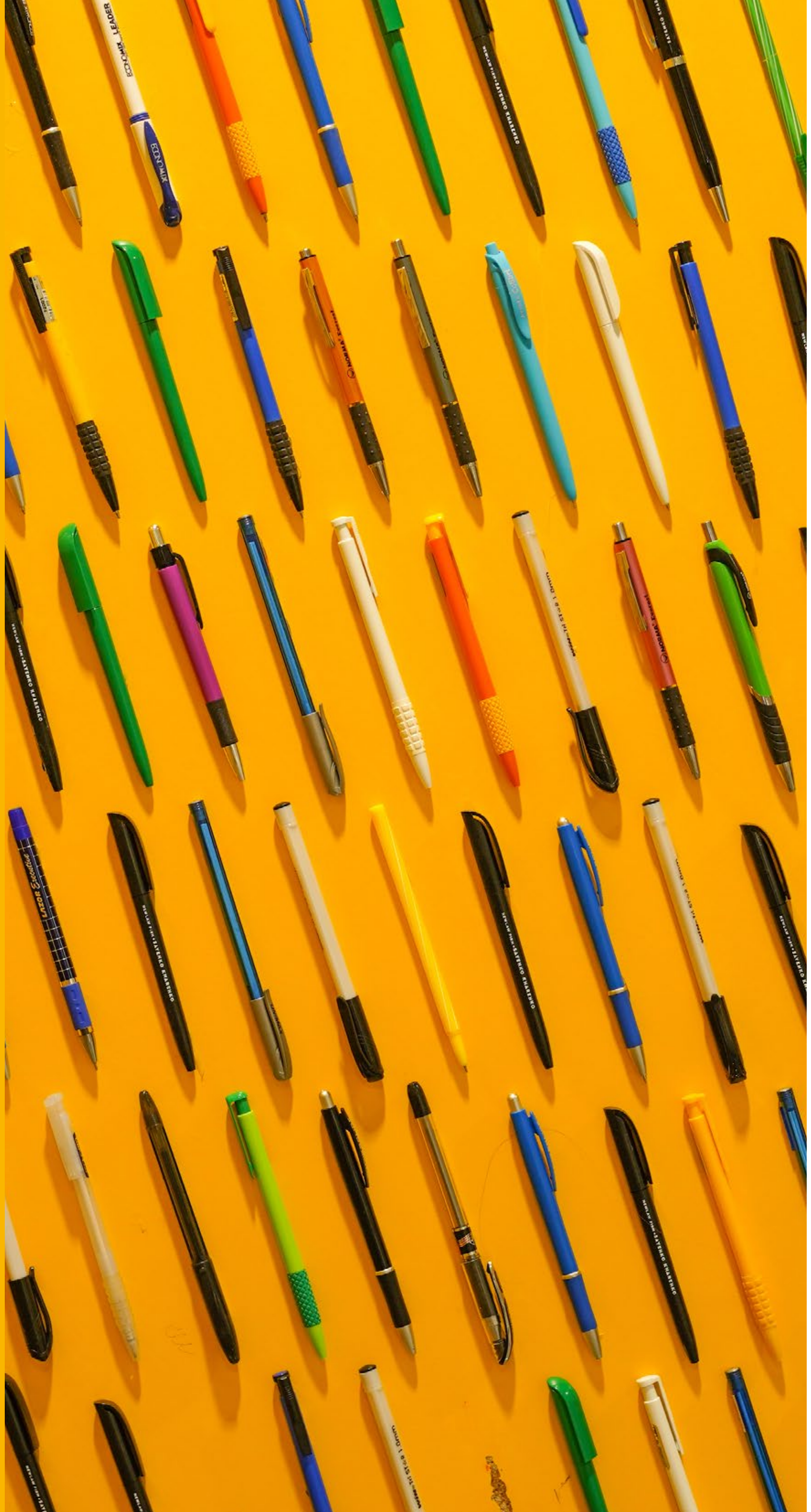


Streamlined Energy & Carbon Reporting (SECR) Guide

Many of you reading this guide may have already completed a SECR report, some of you may have produced an actionable sustainability plan off the back of your report, and some may have simply filed it away with other pieces of mandatory reporting.

In this guide, we aim to outline the basics of how to achieve compliance but also address 3 key opportunities to deliver extra value from your SECR Report.

What is SECR?

Streamline Energy & Carbon Reporting (SECR) has been introduced to make carbon reporting more transparent and to aid the goal of achieving a carbon net zero target.
The new regulation also extends the scope of the existing Mandatory Carbon Reporting regulations. SECR is a legal requirement for all eligible organisations.

Who needs to report?

All quoted UK-incorporated companies on the main market of the London Stock Exchange regardless of Full-Time Equivalents or turnover. If a large non-quoted UK Company or LLP, you must report on SECR if you meet two out of the three specified requirements. The requirements are turnover of £36 million plus, a workforce of 250 people or more, or a balance sheet of £18 million or greater.

If you are reporting at group level, you must include any subsidiaries if they meet the criteria. Captured subsidiaries are not required to report in their own annual report if they are included in the group report. Subsidiaries under the threshold can be excluded.

What needs to be reported?

Large UK incorporated unquoted companies & LLPs must submit their energy consumption and emissions arising from UK electricity, gas, and transport. UK incorporated quoted companies must report as above, plus all onsite emissions (e.g., refrigerants, industrial gas emissions, fuel oil, LPG, coal etc) and overseas operations. Finally, organisations must report on the actions they are taking to increase energy efficiency.

Benefits & Penalties

By completing SECR you will be lawfully compliant and avoid any unnecessary fines and penalties that come with non-compliance. Completing SECR will contribute to your environmental sustainability policy and provide you with a platform to improve your sustainability credentials. As with most mandatory legal policies, penalties are a given.

Penalties can come in the form of fines for late submissions or lack of submission. Further reluctance will result in the organisation being struck off the companies register, resulting in organisational and brand damage.

Reporting Timeline

Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22

The above reporting timetable applies to large non-quoted companies, quoted companies should have reported annually since 2013. Limited companies have 9 months from financial year end to publish accounts.

Note: The dates in black represent when an organisations financial year will end. The dates in red dictate when and organisations corresponding SECR report is due for submission.

The Route to Carbon Reduction

Once published in your annual report the energy and carbon performance of your organisation will now be visible to your investors, customers, employees, competitors, and the broader community. Many of these stakeholders are increasingly focused on environmental sustainability and are looking to work with organisations that reflect their values.

We are recommending organisations use their SECR report as one of the foundations on which to build a clear continuous improvement strategy. SECR gives you a baseline to compare your carbon reduction progress year-on-year. Don't just view SECR as a box-ticking exercise, use your report to build a carbon reduction strategy backed by insightful data.

There is a common misconception that environmental sustainability must involve large capital investment. Carbon reduction can start with using data to give staff visibility of how their part of the organisation is performing so they can act now. Inenco's continued research has shown that data-driven efficiency can result in a 10% reduction in annual energy use. Staff education projects can yield results within 3-6 months and will be clearly visible in your next SECR reporting cycle.

Stakeholders & Investment

SECR provides a platform for businesses to show potential investors and stakeholders the improvements they are making year on year regarding carbon emissions. However, if you are viewing SECR as a box-ticking exercise, then there could be negative implications as a result. The regulation only requires companies to report emissions and not actually reduce them. Therefore, if you haven't taken any steps to reduce your carbon emissions then your organisation's inactivity on sustainability will be made public for all to see.

SECR presents an opportunity to address barriers between sustainability professionals and internal decision-makers, as the report requires board-level sign-off. Research conducted by Inenco and Manufacturing Management showed 59% of respondents said that sustainability decision making sat with health and safety professionals rather than the board or senior leadership. Due to the public nature of SECR and the very real threat of reputational damage, SECR provides a platform to grab the attention of directors and board members to communicate the seriousness of sustainability.

Financial Good Sense

For many businesses targeting net carbon-zero it will not be possible to fully eliminate their emissions, for some it will be necessary to use carbon offsets to displace emissions they can't get rid of via energy reduction, energy efficiency, and sourcing renewable energy.

The price of carbon offsets is currently low, due to a surplus. Without this surplus, prices would be around \$15/tCO$_2$e higher than current prices (\$3-5/tCO$_2$e). The surplus will not last forever, with demand for carbon offsets expected to grow five to ten-fold over the next decade. This growth should see carbon offset prices rise to \$20-50/tCO$_2$e by 2030. By 2040 and 2050, carbon offset prices could rise to more than \$50/tCO$_2$e.

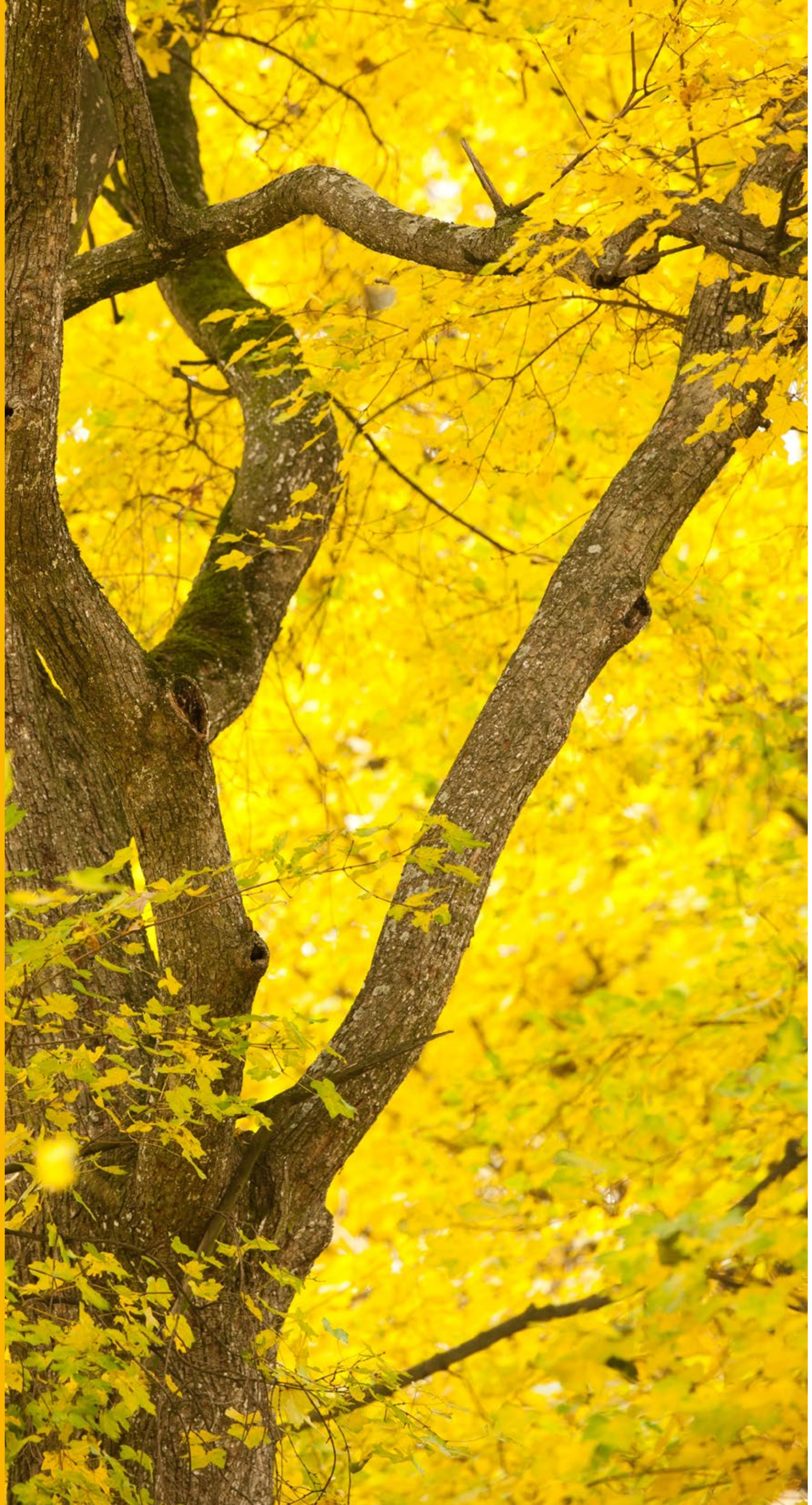
Furthermore, if developing countries successfully reduce emissions, fewer carbon offset projects will be available, pushing prices to \$100/tCO$_2$e or higher.

We recommend that companies act now on the insights that their SECR report can provide before it becomes expensive and unachievable, reducing your carbon emissions now you could save yourself 10's if not 100's of thousands of pounds on the voluntary carbon market.

Our Recommendation

Whilst we understand that SECR is a mandatory requirement, we believe it can be one of the first steps to understanding your impact on the environment. SECR needs to be viewed as an exercise to create a baseline upon which a continuous improvement plan can be built. The platform provides a great opportunity to shout about your sustainability success stories year on year.

The publicly available knowledge will serve as a shining example to investors, customers, and wider stakeholders on how you are driving sustainable change within your organisation. Research foreshadowing the exorbitant price of carbon offsets shows that SECR will be a useful tool to enable cost reductions for the future.



SECR & ESOS

For those organisations that qualify for ESOS and SECR Inenco currently have a joint service available. The compliance services can be delivered individually, however, there are several benefits of combining the compliance services together.

The primary benefit is that you will have a main focal point who will deliver the end-to-end service delivery and manage the consistency of data across ESOS and SECR. Finally, due to the nature of the data collection process there is a crossover which will allow us to deploy resources more efficiently and therefore charge less for the combined service.

Find out more

Contact one of our SECR experts on
01253 785294
or email
enquiries@lnenco.com

www.inenco.com

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