Make UK and UK Steel – Submission on Streamlined Energy and Carbon Reporting

4 January 2018

SUBMISSION ON STREAMLINED ENERGY AND CARBON REPORTING

Previous input to BEIS on Reporting

We previously provided a paper to BEIS on Energy Efficiency Reporting (see attached as submitted 5 October 2017), which included our members' views on reporting and some high level principles we would like associated with any new reporting scheme.

Overall more of our members view energy reporting as a burden than as a means for identifying opportunities. As such, we would urge government to consider any additional requirements in this area, the needs they will meet and the extent of the burden they create, very carefully.

The two key high-level principles we identified that we would like associated with any new reporting scheme were having centralised reporting and delaying until post Brexit:

- Centralised reporting - ultimately the government should be establishing a single centralised reporting system for all energy and environmental issues where manufacturers can report once and the different departments then draw relevant data from this.
- Delaying until post Brexit - given the uncertainties associated with Brexit and the future of UK participation in the EU Emissions Trading System (EU ETS), implementation of a new reporting scheme would be best rolled out when there is more time for scrutiny and certainty on the longevity of the resulting mechanism. Implementing a new reporting scheme now if it is only relevant for a couple of years is extremely inefficient and creates undue system-change pain for our members.

Our preferred position on Energy related reporting is still that presented in our previous paper of 5 October 2017 and summarised above. The following submission is provided in response to the consultation material.

General Points and Overall View

The proposed energy and carbon reporting proposals do not deliver streamlining in terms of reducing administrative burdens or increase effectiveness in achieving energy and carbon savings. In fact, the 'streamlining' proposals increase the burden on operators by:

- requiring the measurement and reporting of transport energy which is not currently required under CRC and adds further complexity. This element will be particularly difficult to align with group structures as fleets are often run from one arm of a company but with bills paid piecemeal across the business
- requiring reporting to be completed through annual reports, which may incur a charge for financial auditor sign off, and potentially through a separate electronic portal, increasing the administrative burden
- adding yet another overlapping policy to the myriad of schemes already in place [Climate Change Levy (CCL), Energy Savings Opportunity Scheme (ESOS), Mandatory Greenhouse Gas (MGHG) reporting, EU ETS and Climate Change Agreements (CCAs)]
- potentially requiring Businesses who operate nationally to report into three different schemes, as decisions by devolved administrations on CRC closure approach will be 'informed by a range of issues' including this consultation.

If streamlined energy and carbon reporting is introduced there should be complete exemptions for businesses already reporting through EU ETS, CCAs, mandatory GHG reporting, which produce a verified sustainability report that includes energy and carbon metrics, report against other recognised reporting schemes such as the Carbon Disclosure Project or hold ISO 50001 certification. These companies are already fully aware, at board level, of energy use and carbon emissions and adding further burden to them in terms of reporting is not delivering streamlining.

Make UK and UK Steel are concerned there is no mention of any obligation on utility companies (as per CRC) in the proposals and suggest that energy and fuel suppliers are mandated to provide customers with an accurate annual statement of energy use and CO_2 from energy purchases.

Make UK and UK Steel strongly object to companies having to pay for any reporting scheme to be introduced or for a regulator to oversee the scheme. For manufacturing industries, there is already a wealth of energy and carbon data that is publically available and having to pay to report similar data in a different format is unacceptable.

Issues Relating to Company Structure

There must be no overlap, duplication or multiple reporting. The parent company should be responsible for the group's compliance but can elect whether undertakings participate as part of the group or separately.

Requiring reporting to be done through annual reports may not deliver streamlining for some companies and creates enormous additional burden. For example, companies made up of a large number of operating companies will each have to produce an annual report. Such company structure may not necessarily align with the operating structure and the way carbon and energy are used and naturally reported. In this case the company may previously have submitted a single report into CRC and a move to reporting in annual reports would require multiple reports and be far from streamlined.

We believe companies should have the option to either report via annual reports or submit a single energy and carbon report that is more aligned with operating structure.

Quoted companies reporting under mandatory GHG reporting should not be required to do anything more than currently. Reporting for unquoted subsidiaries of quoted companies should be clearly excluded from scope.

Impact Assessment

The analysis set out in the Impact Assessment (IA) is insufficient to show the wider benefits and costs of introducing a new reporting scheme. Make UK and UK Steel are disappointed that such evidence can be used as the justification to introduce a scheme that will add considerable cost and administrative burden to businesses. In particular:

- The Government announced that CRC will be abolished therefore the impact of the Streamlined Energy and Carbon Reporting (SECR) proposals should be assessed against the policies that will be in place during the expected implementation date of the SECR in 2019. This means excluding CRC. This will help to show the true cost/benefit of the SECR and that the costs of determining eligibility, measuring and reporting energy use under CRC will still remain under SECR.
- The IA tries to forecast the administrative burdens under each of the 4 options presented and yet paragraphs 69 and 70 fully acknowledge that the energy savings from reporting are unknown as are policy interactions with other schemes such as ESOS.
- The evidence used to determine the cost of reporting global GHG emissions is a CRC cost of compliance survey which received only 17 responses. This is not representative enough to draw any conclusions.
- Paragraph 19 on Page 12 acknowledges that the decisions by devolved administrations on CRC closure approach will be 'informed by a range of issues' including this consultation. Businesses who operate nationally could end up having to report into three different schemes. There is nothing in the IA that assesses the huge cost and administrative increase this would incur for such businesses. This is a significant omission.

Collation and Publication of Information

A mechanism for collating published energy and carbon data will run up against the many negative issues already experienced and identified through the publication of CRC league tables. These tables were scrapped when, as widely predicted by operators, different business structures and product portfolios led to huge confusion for stakeholders and major issues for operators trying to explain all the variables unrelated to energy efficiency that influenced their relative position in the table.

Public disclosure will also be meaningless if energy and carbon captured by other schemes is excluded, particularly the use of the metrics proposed. The most appropriate metric for one company may be entirely different to that for another, which will make comparison difficult. The information provided would be at best unhelpful and at worst misleading. Some businesses are less about tonnes manufactured because their focus is on higher quality or more value added products.

The metric should not be set by government as industry is diverse and one metric doesn't fit all. If government insists on implementing something along these lines, it must allow for narrative commentary to explain the results.

Reporting on implementation of ESOS recommendations should not be made mandatory. This would be an enormous burden for businesses and there may be many valid reasons why identified opportunities have not been addressed. It could be, for example, that easy wins have already been implemented, planning permission cannot be granted for installation of technology or that clients do not want to purchase more energy efficient output products, and not just that the company doesn't want to invest. Requiring reporting will again give a confusing picture to observers of which companies are the most progressive and if it is required a narrative element will be crucial.

Future of the Scheme

There is considerable confusion on whether this is a short or long-term scheme. BEIS has implied at stakeholder events that this reporting scheme is intended to be in place for some time however the consultation raises the idea that the current proposals might only be a short term fix. BEIS should wait until the future of the EU ETS is clearer for a proper review of the regulatory landscape rather than potentially making two sets of changes.

Commercially Sensitive Information

The proposal to publish the results of energy audits, including opportunities identified and actions taken, puts manufacturers in a situation where they may be revealing commercially sensitive information.

Disaggregated disclosure of energy use in majority of industry is commercial sensitive and can be used to inform competitors of production costs.

Complementary Policies

As highlighted previously, our members view energy reporting as a burden rather than a means for identifying opportunities. This is due to the fact that barriers associated with investing in energy efficiency aren't about awareness but more about the provision of funds to do so. As such, there needs to be complementary policies to work alongside SECR to help deliver the desired transition to a low carbon economy. The Government should ensure that the proposed Industrial Energy Efficiency Scheme (as set out in the Clean Growth Strategy) is available to businesses to support investment in energy efficiency.

Other Issues

The scheme should not include the reporting of energy use by overseas subsidiaries. It is unmanageable for businesses to collate this data in a timely manner and it is unclear what BEIS intends to do with this data since it is unlikely the UK Government will have any influence on this energy use.

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Make UK

Make UK champions British manufacturing. We are powerful voice at local, national and international level for small and medium sized businesses and corporates in the manufacturing and engineering sectors.

We're determined to create the most supportive environment for UK manufacturing growth and success, and we present the issues that are most important to our members, working hard to ensure UK Manufacturing remains in the government and media spotlight.

Together, we build a platform for the evolution of UK manufacturing.

UK STEEL

UK Steel champions and celebrates the UK's steel manufacturers. We represent the sector's interests to government and champion our innovative, vibrant and dynamic industry to the public.

Together, we build the future of the UK steel industry