GGCS Guidance Document 12 - Environmental Reporting Guidelines in the UK

Version 1.1 – April 2020

Contents

Introduction

Following a two-year consultation process, DEFRA and BEIS published their final guidance on ‘energy and carbon reporting’ on 31 January 2019 (posted here).

This document replaces all previous environmental guidance material from government (as listed here) covering a wide range of areas including water, waste, resource efficiency, as well as energy and carbon reporting.

Who does the guidance apply to?

Companies that fall within the guidance are set out as follows:

> *“This document is designed to help companies and limited liability partnerships in complying with the Streamlined Energy and Carbon Reporting (SECR) regulations. It can also help all organisations with voluntary reporting on a range of environmental matters, including greenhouse gas (GHG) reporting and the use of key performance indicators (KPIs)*
> *This guidance includes changes which take effect from 1 April 2019. These changes require all UK quoted companies to report on their global energy use in addition to greenhouse gas emissions in their annual Directors’ Report. There are also requirements for large unquoted companies and limited liability partnerships to disclose their annual energy use and greenhouse gas emissions and related information.*
>
> These requirements affect:
>
> - all UK incorporated companies listed on
> - the main market of the London Stock Exchange
> - a European Economic Area market
> - or whose shares are dealing on the New York Stock Exchange or NASDAQ
> - unquoted large companies incorporated in the UK, which are required to prepare a Directors’ Report under Part 15 of the Companies Act 2006
> - large Limited Liability Partnerships (large is defined as per the existing framework for annual accounts and reports, based on sections 465 and 466 of the Companies Act)
> - The government encourages all other companies to report similarly, although this remains voluntary.”

Chapter 2 of the document sets out the legislative background to the guidance on Streamlined Energy and Carbon Reporting and confirms that this guidance replaces Mandatory Greenhouse Gas Reporting (MGHG) that was contained in the previous version of this guidance.

The chapter sets out in detail the scope of organisations and reporting requirements covered by the guidance.

Reporting methodologies

In terms of a reporting methodology, the guidance states that :

> *"While there is no prescribed methodology under the legislation, organisations are required to disclose the methodology used to calculate the required information. For effective emissions management and transparency in reporting, it is important that robust and accepted methods are used. It is recommended that you use a widely recognized independent standard, such as:*
>
> - *GHG Reporting Protocol - Corporate Standard.*
> - *International Organisation for Standardization, ISO (ISO 14064-1:2018).*
> - *Climate Disclosure Standards Board, CDSB.*
> - *The Global Reporting Initiative Sustainability Reporting Guidelines."* [page 42]

In terms of external verification or assurance the guidance states that:

> "*If further advice is needed, there are a number of private sector organisations active in carbon reporting which you might want to approach instead, although they may wish to charge for their time."* A list of companies is provided which is *"not exhaustive and is not officially endorsed by government but may prove useful to you."*

A further webpage sets out that

> *"There is no requirement in the legislation for emission and energy use data, or narrative on energy efficiency action to be independently assured; however, we would recommend it as best practice. Voluntary independent assurance on the accuracy, completeness and consistency of energy use, GHG emissions data and energy efficiency action is encouraged as beneficial to both internal decision-making and for external stakeholders."*

The main section of interest begins on page 47 on reporting renewable energy.

Reporting renewable energy

While explicit reporting on renewable energy and associated emissions is not a mandatory requirement under the SECR legislation, organisations are encouraged to use dual reporting if they wish to reflect their consumption of renewable energy. Organisations are encouraged to use location-based grid average emission factors to report the emissions from electricity, including those consumed from the grid. Where available, time specific (e.g. hour-by-hour) grid average emission factors should be used in order to accurately reflect the timing of consumption and the carbon-intensity of the grid.

Where organisations have entered into contractual arrangements for renewable electricity, e.g. through Power Purchase Agreements or the separate purchase of Renewable Energy Guarantees of Origin (REGOs), or consumed renewable heat or transport certified through a Government Scheme and wish to reflect a reduced emission figure based on its purchase, this can be presented in the relevant report using a "market-based" reporting approach. It is recommended that this is presented alongside the "location-based" grid-average figures and in doing so, you should also look to specify whether the renewable energy is additional, subsidised and supplied directly, including on-site generation, or through a third party. A similar "dual reporting" approach should be taken for biogas and biomethane (including "green gas").

The remainder of Chapter 2 sets out information on emission scopes (ie Scope 1, Scope 2 and Scope 3) and a suggested template for reporting which users are *"strongly encouraged to us …but is not compulsory"*. Chapter 3 provides further information on voluntary GHG emission reporting.

The Government July 2018 response to its earlier (October 2017) consultation on 'streamlined reporting' set out that it would *"include clarity and transparency of reporting of self-generation, renewable energy, energy sourced via green tariffs".* This reference to the reporting of biogas/biomethane through the use of 'contractual arrangements' is new and welcome and appears to mirror the changes introduced by the GHG Protocol in January 2015 which formed the basis of the GGCS's work with Ecofys and subsequent use of Renewable Gas Guarantees of Origin (RGGO) against Scope 1 gas emissions.

Annex G of the Guidance document however relates that government is still reviewing its approach to quantifying emissions from purchased renewable electricity and also extends its comments to the use of biomethane delivered to a site through the gas grid, stating that the accounting of grid-injected biomethane is under review in parallel with the review of purchased electricity and updated guidance on that will be issued in due course.

GGCS view

The GGCS welcomes the UK government efforts to streamline its guidance on energy and carbon reporting

We are pleased to see that the guidance states that companies can use the GHG Protocol's methodology however GGCS members should note the current uncertainty around reporting of biomethane use with the GHGP (please refer to GGCS Guidance Document 15 - GGCS Green Gas Certificates and the GHG Protocol v1.3).

We note that the UK government says that it is still reviewing the use of biomethane RGGOs and we have contacted relevant civil servants in BEIS and DEFRA to provide them with information on the current status of the GGCS and the RGGO market.

We welcome input from members on anything in this note, as well as their views on the Streamlined Energy and Carbon Reporting requirements published by the UK Government.