Streamlined Energy & Carbon Reporting (SECR) Toolkit

wsp

Welcome to our SECR toolkit. WSP has developed this toolkit to help guide you through the new SECR regulations, highlighting how this might affect your business.

Use our toolkit to understand what SECR is, the drivers for its introduction and the simple steps you should be taking to ensure compliance. For more information, please click on the relevant pages.

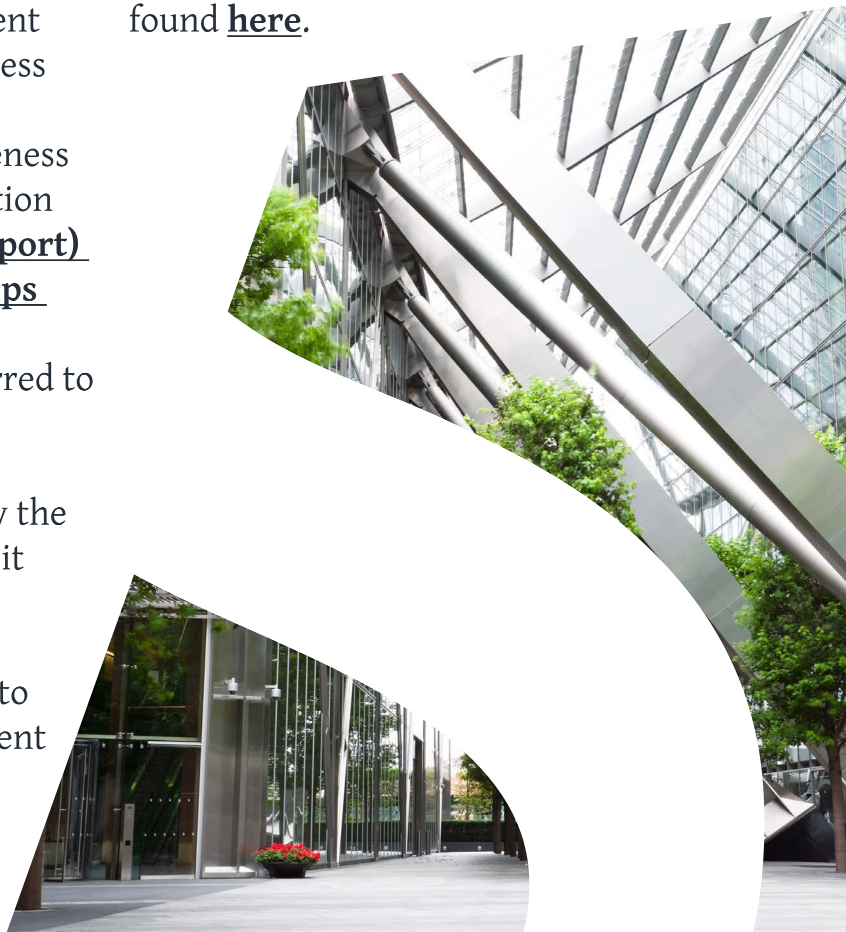
**Please note this document has now been updated following the publication of the Government's Environmental Reporting Guidelines, which includes guidance on SECR.*

1

What is SECR?

The UK's current business energy policy framework is complex. Organisations can fall into the scope of multiple regulatory schemes relating to energy use and emissions. Following the 2016 summer Budget, the UK Government consulted on a review of the business energy efficiency tax landscape to simplify and improve the effectiveness of the regime. This led to the creation of **The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.** Hereafter referred to as SECR.

SECR aims to improve and simplify the energy reporting process, making it more efficient and effective for companies to report. This will encourage many more businesses to quantify consumption in a consistent and comparable manner, and take actions to reduce their energy consumption, resulting in cost savings and a decrease in greenhouse gas (GHG) emissions. The government published its final guidance in January 2019. This can be found **here**.



2 What is changing?

SECR will increase the scope of the Mandatory Greenhouse Gas Reporting (MGHG) regulations and replace the Carbon Reduction Commitment (CRC) requirements, which ceases to exist at the end of the 2018/19 reporting year [1].

The new requirements entered into force through an amendment to the UK Companies Act 2006 and will affect 11,900 companies (11,300 after exemption s), 230 Limited Liability Partnerships (LLPs) and 50 unregistered companies – a near seven-fold increase from the existing MGHG regulations.

The existing Energy Savings Opportunity Scheme (ESOS) is not impacted by SECR and both will run as complimentary frameworks to drive energy and GHG reduction. WSP has also prepared a **toolkit** on ESOS Phase 2.

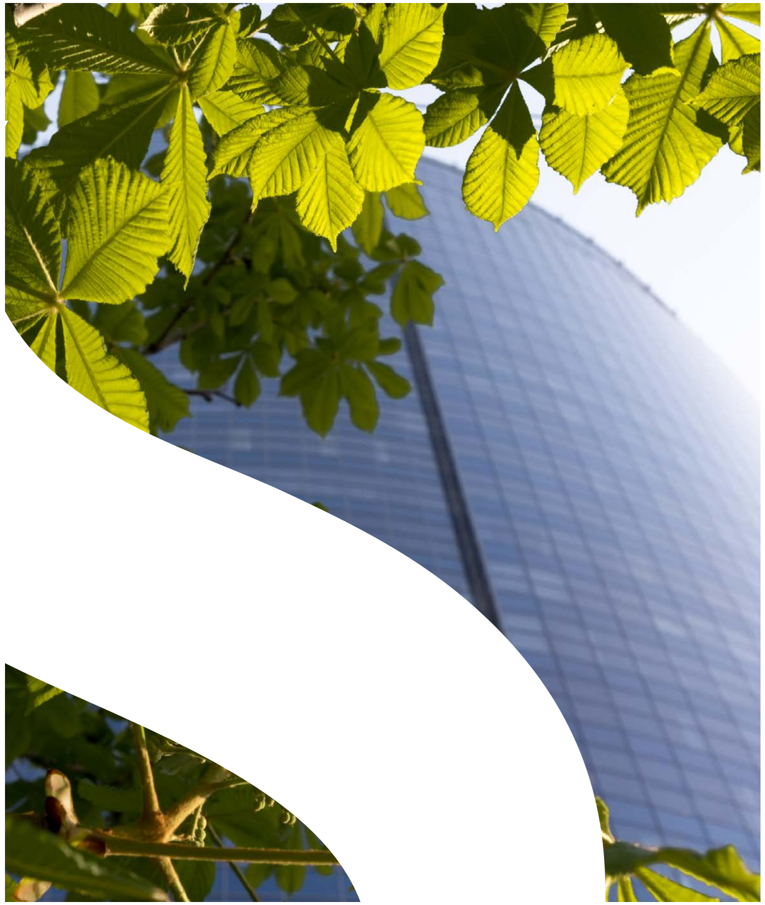
1 *Revenue from the sale of allowances from the CRC will be retained via an increased Climate Change Levy (CCL) rate charged via utility bills.*

3 Why is SECR being introduced?

Business case

Environmental case

Click for more information



4 Will my company be affected?

According to the latest guidance, the SECR framework will apply to companies registered under the *Companies Act 2006*.

This means that organisations which are not registered as companies, for example public sector organisations, some charities and some private sector organisations such as certain partnerships, may not be in the scope of the SECR framework.

For further information on exemptions please **click here**.

To find out if your company is in scope, please **click here.**

If your answer to any of the following questions is 'yes', it is likely that your company falls within the scope of SECR:

1. **Are you a UK quoted company?**
2. **Are you a large, UK registered, unquoted company fulfilling two or more of the following criteria?**
   - **More than 250 employees?**
   - **Annual turnover of more than £36 million?**
   - **Annual balance sheet greater than £18 million?**

5 What will I need to report?

Click for more information

Overview

Reporting requirements

How will I report?

There is no prescribed proforma for reporting, however the Government has issued a simple template within the guidance that companies may wish to follow. How you include information as part of your annual filing will differ depending on the type of business. This is explained below:

Type of Business	*How do I report?*
Quoted and Unquoted Company	*Annual Directors' Report*
Large LLPs	*Standalone Energy and Carbon Report*
Charity	*Combined Directors' and Trustees' Annual Report*
Businesses where energy use and carbon emissions are of strategic importance	*Strategic report*

Reporting for all businesses will be an annual requirement and will need to be submitted to Companies House. From the second reporting year, businesses must also state their disclosures made in their previous years relevant report. Organisations are also encouraged to report digitally where they already do so.

6

Timeframes and Deadlines

The new requirements will apply to reports for financial years starting on or after 1st April 2019. Therefore the first filings under SECR will be expected in summer 2020, covering the April 2019 - March 2020 reporting year. Our **case study examples** show how different reporting years should be dealt with.

Companies may report emissions for a different 12-month financial period, but this must be stated in the Directors' Report or Energy and Carbon Report if done so. This might be of interest if your business is trying to align with Energy Saving Opportunities Scheme (ESOS) reporting years. However, it is recommended to report in line with your financial year and the first SECR compliance year.

Go to Timeline

There will be legal and financial implications for companies not complying with the new regulations. LLPs that fail to comply with the requirement to prepare an Energy and Carbon Report risk prosecution and a potential fine for all Companies House registered members of the LLP. Company secretaries from quoted comapnies will be liable for prosecution under the existing terms of the Companies Act.

With regards to enforcement, Companies House may not accept reports that do not meet requirements of the Companies Act. Further to this, The Conduct Committee of the Financial Reporting Council is responsible for monitoring compliance of company reports and accounts, acting as the enforcement body for these regulations.

Timeline

Jan 2019:
UK Goverment publishes detailed guidance.

1 April 2019:
SECR regulations come into force.

2019

2020

2021

March 2021:
All companies in scope should have reported under SECR

From April 2020:
First Companies report under SECR

First Data Collection Period

Submission Period

Go to Timeframes and Deadlines

7 WSP's Five Key Steps to Completing SECR

Hover for more information

1. Confirm inclusion in scope
2. Carry out gap analysis and agree project plan
3. Collect Data
4. Calculate energy usage and GHG emissions
5. Prepare and submit statement or report

3. Data collection

- Manage data collection process with key stakeholders; define expectations.
- Where possible, make use of normal accounting and environmental management systems to regulate the collection of energy information throughout the year.
- Collate, process and store data ready for calculation.

8 Frequently Asked Questions

Q: How is this different from ESOS?

Q: I am part of a UK based group of organisations - should my parent company be reporting or should we all be reporting?

Q: My company exceed the thresholds but my parent company is a foreign entity. Who should be reporting?

Q. Part of my business includes my offshore facilities, should I be reporting on these as well?

Q. I am in scope but I haven't completed any energy efficiency actions this year. Should I exclude this from my filing?

Q. I am in scope, but I think I am exempt, what do I need to do?

Q. I now have to report for ESOS and SECR, how can I make this more streamlined?

Q. My stakeholders are asking me to disclose further information, could I disclose this through SECR.

A. Yes, the government is pushing for companies to disclose as much energy and carbon information as possible. We would recommend that businesses voluntarily disclose material scope 3 emissions, renewable energy, carbon offsets and domestic carbon.

9 Case Study Examples

The following provides worked examples of how a company would go about approaching SECR:

Case Study 1 – UK PLC who has an April-March reporting year

Case Study 2 – UK LLP with 500 staff members who has an August-July reporting year

Case Study 3 – UK Ltd subsidiary of a PLC listed internationally and that has a January-December reporting year

Case study 4 – UK Ltd subsidiary of a PLC listed in the UK who has a January-December reporting year

Click for more information

From early 2019, the business should confirm with their parent company PLC that they will be undertaking the reporting responsibilities on behalf of the whole group. Following the confirmation, start creating the governance structure and designating the appropriate resources required to collate energy consumption data and calculate GHG emissions from the UK Ltd businesses operations. The UK PLC will then utilise this data, combined with other UK subsidiary data to undertake the reporting requirements as per Case Study 1 in January 2020.

For more information please contact:

Robbie Epsom - WSP SECR Lead
robbie.epsom@wsp.com

or our other SECR specialists:

James Tapson
james.tapson@wsp.com

George Baker
george.baker@wsp.com

Alice Berry
alice.berry@wsp.com