

# More and more businesses will need to report carbon emissions

From 1 April 2019 the number of organisations required to report their carbon emissions will be greatly increased. In this article **Jean Lowes**, (*pictured*) Director of GHGinsight.com, reviews the new Energy and Carbon reporting regulations.

**This new legislation currently applies to all large companies and Limited Liability Partnerships (LLPs). However, its extension to medium sized businesses is likely. Eventually, we believe that the bulk of UK businesses will be required to report carbon emissions in their annual reports to Companies House, along with their financial data.**

Currently only large businesses will need to report, starting with financial years beginning after 1 April. A large company as defined under the Companies Act 2006, is one that meets two of the three conditions below:

- More than 250 employees
- Annual turnover greater than £36m
- Annual balance sheet total greater than £18m

The Government calculates 11,900 businesses will be affected by these new regulations.

#### What will be reported?

Business will be required to report on five areas

- Total energy usage
- The carbon emissions (CO<sub>2</sub>e) associated with the energy usage
- An emissions intensity metric
- A narrative on energy efficiency action taken
- The methodology used

#### Total UK energy usage

UK energy usage of electricity and gas will be measured in kilowatt hours (kWh). Energy usage by transport, defined as road, rail, air and shipping, will be measured in litres of fuel; petrol, diesel, LPG, CNG, aviation fuel, bunker fuel, etc. It applies to all vehicles owned by the business and business travel in privately owned vehicles. Fuel usage will need to be converted to kWh for reporting.

#### The carbon emissions

The carbon emissions will be reported in tonnes of CO<sub>2</sub>e. This is derived using emission conversion factors published annually by the Government.

Emissions fall into three Scopes, 1, 2 and 3. Currently only parts of Scope 1 (direct emissions, mainly gas and transport) and Scope 2 (indirect emissions, principally electricity) are mandatory. Businesses will be encouraged to report their Scope 3 emissions (a range of upstream and downstream emissions including business travel), but this will not be mandatory under the current legislation.

#### Methodology

Organisations are required to disclose the methodology used to calculate the required information. The Government has not prescribed one, but we would recommend the

Greenhouse Gas Protocol Corporate standard, which can be downloaded for free.

#### Intensity ratios

An intensity ratio is a way of expressing emissions data so that their values can be compared over time for the same business or between businesses.

Businesses must express emissions by way of at least one business metric or financial indicator. The choice depends on an organisation's activity. Examples are; emissions per m<sup>2</sup> of floor space, per employee or sales revenue. A list of intensity ratios by industry has been published in the Environmental Reporting Guidelines published on Gov.UK.

#### Energy efficiency narrative

Businesses must describe the actions taken over the past financial year to increase energy efficiency. For example; retrofitting LED lighting or fitting more efficient boilers.

#### What to watch out for

Businesses will need to collect mileage data for business journeys driven in private cars and claimed through the expenses system. They will also need to report energy consumption in rented properties where energy costs are included in the rent. Standard benchmarks for energy consumption per square metre for offices or retail space are available to assist with this.

#### Where to next?

First, don't expect Brexit to change any current environmental legislation. All major UK political parties are committed to emissions reduction.

Secondly, we anticipate current legislation will be allowed to bed in over the next couple of years. Thereafter, the range of emissions sources that large business must report will probably be extended; while the current, more limited requirements will be extended to medium-sized businesses.

**'Businesses must describe the actions taken over the past financial year to increase energy efficiency'**

