

## Consultation on GHG Reporting

### - Can we help you to Respond?

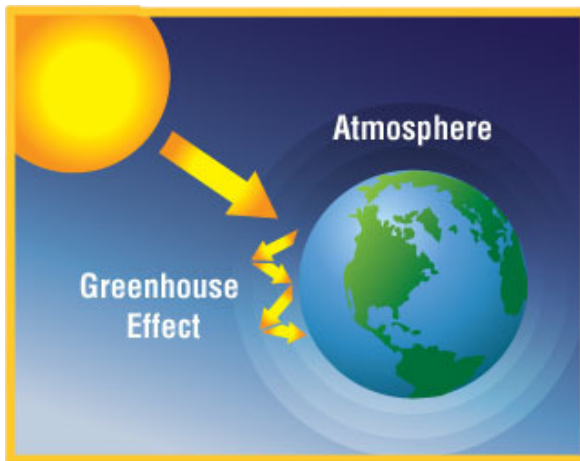
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**DEFRA released a consultation yesterday inviting views on four alternative options they could use to introduce carbon reporting for businesses.** This consultation will be relevant to your business if it is a quoted company, a large company or has at least one half hourly meter and consumes more than 6,000 MWh of qualifying electricity per year.

The greatest impact of these proposals will be on quoted or other large companies not covered by the CRC or otherwise reporting GHG emissions. For companies already preparing emissions reports voluntarily or under the CRC, the proposals could simply require collation of this information for a different purpose.

We suggest that companies take the time to respond to this consultation and try to shape Government policy. We anticipate that mandatory GHG monitoring and reporting is likely to be followed by additional taxes on carbon emissions of businesses.

#### BACKGROUND



Measuring and reporting greenhouse gas (GHG) emissions by organisations is seen by Government as an essential tool in helping to reduce emissions and achieve energy and other resource efficiencies. Furthermore, the 2008 Climate Change Act requires the Government to make GHG reporting mandatory by April 2012, or explain to Parliament why it is not.

There are already a number of policies in place which require companies in the UK to collect data on their GHG emissions. These include the EU Emissions Trading System, the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) and Climate Change Agreements (CCAs). The Government is already committed to simplifying the CRC and is reviewing its approach to CCAs. DEFRA aims to reach a final decision on GHG reporting by the autumn and the deadline for responses is 5 July 2011. The link to the consultation is:

<http://www.defra.gov.uk/consult/2011/05/11/ghg-emissions/>

#### OPTIONS PROPOSED

- **Option 1** - The current voluntary reporting scheme for GHG emissions would be maintained but enhanced.
- **Option 2** - Mandatory greenhouse gas emissions reporting would be required in the Directors' Report for all quoted companies. Statistics indicate that around 1100 companies would be covered by this option.
- **Option 3** - Legal requirement for all large public and private companies to report on their GHG emissions in their Directors' Report. The Companies Act definitions of large companies based on size, using measures of employment, gross assets and turnover, would be used for this option. Statistics indicate that between 17,000 and 31,000 large companies in the UK would be covered by it.
- **Option 4** - All companies whose UK consumption of electricity exceeds a minimum threshold of 6,000 MWh half-hourly metered electricity in one year would report on their GHG emissions in their Directors' Report. It would not include companies with low UK electricity consumption but high emissions from other activities, such as transport, process emissions or high emissions from companies' activities overseas.

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Companies covered by this option would be required to report in accordance either with the CRC reporting criteria or the DEFRA/DECC guidance. This would include not only the emissions they currently report for CRC but also other emissions not covered by CRC but required by the proposed reporting regulation. There are about 4000 companies who consume more than the proposed threshold of electricity each year and if the energy threshold was lowered it could potentially cover up to around 15,000 companies.

### ACTIVITIES TO BE COVERED BY THE MANDATORY REPORTING PROVISIONS

It is proposed that mandatory reporting should cover:

- all direct emissions, such as those from combustion in owned or controlled boilers, furnaces, vehicles and emissions from chemical production in owned or controlled process equipment; and
- indirect emissions from energy, being those emissions released into the atmosphere associated with an organisation's consumption of purchased electricity, heat, steam and cooling, which can occur at sources the organisation does not own or control.

### KEY QUESTIONS ON WHICH RESPONSES ARE INVITED FROM BUSINESSES INCLUDE:

- What parameters will be set for measurement, calculation and reporting of emissions.
- The organisational boundaries for companies that will be required to report on their emissions, which has caused significant upset under the CRC scheme.
- What GHGs will be reported – it is suggested that mandatory reporting takes place of the six gases covered by the Kyoto Protocol.
- The emissions factors to be used for the different GHGs.
- What a company should report and what assurance or verification is required on companies' emissions reports.

### IMPLICATIONS OF MANDATORY REPORTING

In terms of financial implications from mandatory reporting for companies not already reporting their emissions, we anticipate these will include administration costs (such as identification of energy sources that will be covered by this scheme, introduction of systems for reporting of data and self certification) and the introduction of energy efficiency measures that is likely to follow from greater awareness of emissions from companies' activities.

Current indications from the Government are that mandatory emissions reporting will be introduced. This could well be followed by taxes based on energy consumption. Responding to this consultation will give companies an opportunity to try to shape the proposals for mandatory reporting.

### ASSISTANCE AND FURTHER INFORMATION

If you would like assistance with considering the implications of the mandatory reporting proposals and responding to the consultation or would like help with other environmental issues, please contact: Georgie Messent or Jay Jagasia.



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