

Business Energy Use,

Department for Business, Energy & Industrial Strategy,

6th Floor 1 Victoria Street,

London SW1H 0ET

02 January 2018

Streamlined Energy & Carbon Reporting

Dear Sir,

**Introduction**

Accessible Retail (AR), is the trade body which represents the property interests of the retail warehouse and retail park sector of the retail industry. We have over 1200 members comprising retailers, developers, owners/investors and advisers, including most of the major companies active in the sector

Our sector plays a significant role in the economy and in the retail industry. It accounts for a third of total retail spend and comprises the largest part of investment grade retail commercial property. Our sector employs some 750,000-800,000 people.

Our members have identified the promotion of measures to improve the environmental performance of our sector as a priority and consequently, we welcome the opportunity to respond to this consultation.

**Q1. Do you agree that the energy and carbon reporting policy should apply**

**across the UK? [Yes or No] Please explain your answer.**

Yes, the proposed energy and carbon reporting policy should apply across the UK.

UK wide reporting would place this initiative on the same basis as the CRC Energy Efficiency Scheme. Many of our larger members operate their businesses throughout the UK and having to comply with different requirements in the devolved jurisdictions would impose additional and potentially expensive and inefficient reporting procedures. In addition, it would make the identification of performance and subsequent policy initiatives more complex.

**Q2. Do you have any comments on the analysis set out in the Impact Assessment? We would welcome any additional evidence on costs and benefits to support a final assessment of impacts.**

We support Option 3 requiring all large UK registered, unquoted companies and their corporate groups to report using the streamlined framework; this would be a useful first step which would be reasonably manageable. Any decision on progressing to Option 4 requiring these companies additionally to report on scale and progress made, should await an evaluation of the operation of Option 3.

Any extension of reporting to smaller companies should await the outcome of this evaluation. Such companies are not often high energy users and many would have to bring in expensive (for them) new skills to cope with meeting reporting requirements. Imposing such impacts should await confirmation (a) that the reporting system is working well and delivering useful data and (b) that the Government is confident requiring smaller companies to report would materially add to the outcomes the Government is seeking to achieve. However, smaller companies that wish to subscribe voluntarily to the scheme should be allowed to participate.

**Q3. Do you agree that reporting should be done through annual reports? [Yes or No] Please explain your answer. If yes, would any of the following, forming part of companies’ annual reports, be better suited? a) Directors’ reports, b) Strategic reports, or c) a new, bespoke report. Please explain your answer, note any issues you see with using these reports, and provide any comments on how proposals might best fit within the annual reports regime.**

Yes, we agree reporting through annual reports is a sensible and efficient method of reporting. A new bespoke report format would be expensive and at this stage not justified. Reporting in this way should only occur once the audit process has been completed and the data in the annual report verified.

Also, there are already a number of sustainability reporting schemes as companies’ ‘green credentials’ become increasingly important to trading performance and satisfying the requirements of customers and investors. More often, participation is undertaken voluntarily through initiatives by trade bodies or by membership of bodies such as the Better Buildings Partnership. In the light of this complex pattern, any single reporting framework to replace the current array of mandatory schemes should aim to complement existing initiatives.

**Q4. Do you agree that from 2019 energy and carbon reporting to Companies House should be electronic? [Yes or No]. If yes, please specify any digital formats, such as XBRL / XBRL, that may be suited to this purpose, and any opportunities and challenges these may present.**

No, if compulsory. The format should be consistent with that required for the Annual Report. However, electronic submission could be an option for those companies wishing to report in that way.

**Q5. Do you agree that the government should seek to establish a mechanism for collating published energy and carbon data for example via a central published report or tool? Please explain your answer.**

Yes, provided any portal is adequately resourced by the Government and easy to interrogate.

However, any central mechanism should not report on the basis of a single data population incorporating all businesses, but distinguish between the different major sectors of the economy. The sectors of the economy have markedly different energy use characteristics and publishing one benchmark of performance would unfairly portray high energy users such as retail compared with low energy use sectors. What is needed is to be able to identify good and bad performance within sectors with comparable energy and carbon use profiles.

**Q6. Do you think that the policy should apply to: A) all ‘large’ companies based on employee numbers and financial tests; B) companies who meet the 6GWh ex-CRC annual electricity use threshold described; or C) another threshold? Please explain your answer. Please state if you have any views on whether reporting should be required to operate at the group or individual company level.**

Consistent with our earlier answers, we support the policy applying to all ‘large’ companies based on employee numbers and financial tests. Regarding how it is applied, most of our retailer members will qualify for reporting regardless of which of the proposed methodologies is adopted.

**Q7. If you prefer Population Approach A (all ‘large’ companies) which of the proposed company size definitions seems the most appropriate to you, (i) Companies Act 2006, or (ii) ESOS, or (iii) any others?**

The Companies Act 2006 provides the most appropriate size definition because it is well understood by companies.

**Q8. If you prefer Population Approach C, which energy use threshold is most appropriate? Please explain your answer, and state who you think should be required to report, describing any other energy threshold(s) you may favour (with options including but not limited to 6GWh per year across all energy products, and 500MWh per year for each of electricity, gas, and transport).**

No comment (not applicable to our industry).

**Q9. Should reporting requirements within the Companies Act regime also apply to Limited Liability Partnerships (LLPs)? [Yes or No]. Please explain your answer.**

Yes, if they qualify as a large company based on accepted employee numbers and financial tests.

**Q10. Please state where you agree that UK quoted companies should continue, or start to report, on one or more of the following a) global Scope 1 and 2 GHG emissions b) an intensity metric, and start to report on c) global total energy use?**

Yes, UK quoted companies should follow global Scope 1 and 2 GHG emissions.

**Please also provide any views and evidence on the effectiveness of the current mandatory GHG reporting regime in improving corporate transparency, reducing energy use, and reducing emissions.**

We have no evidence on which to base a comment.

**Q11. Do you agree that UK unquoted companies in scope should report on a) total UK energy use, b) Scope 1 and 2 GHG emissions associated with UK use c) an intensity metric? Please explain your answer. Do you agree that only electricity, gas and transport energy should be in scope for unquoted companies? [Yes or No]. Please explain your answer, and if no please set out what you think the scope should be.**

We agree unquoted companies should have to report on global Scope 1 and 2 GHG emissions and be treated no differently to quoted companies. Regarding intensity metrics, we have already commented that these would only serve a useful purpose if they distinguish between sectors of the business economy so as to recognize different energy use profiles.

**Q12. Should the government a) mandate the use of specific intensity metrics by sector; b) propose best practice in any guidance; or c) leave the matter to sectors, and to existing best practice and guidance?**

Yes to (a) provided a range of suitable metrics is identified for each sector and individual companies allowed to choose which best reflect the nature and needs of their businesses.

**Q13. A) Do you think it should be mandatory for UK quoted and unquoted companies in scope to include information from the most recent audit (including energy management systems such as ISO50001) on i) any identified energy savings opportunities [Yes or No]**

No.

**and ii) any energy efficiency action taken? [Yes or No]**

No.

**B) Building on the energy and carbon disclosures proposed here, please provide views on whether in the long-term any of the TCFD recommended voluntary disclosures should become mandatory disclosures within companies’ annual reports.**

Not until the present proposal has been implemented and evaluated.

 **C) Please specify what support government could provide to support uptake of TCFD disclosures by companies from all sectors.**

Not relevant given our answer to C) above.

**D) Reporting of what other complementary information would add most value for businesses, the market and other stakeholders?**

Businesses should not be required to include information and actions from an ESOS audit as this would impose yet another metric and it is difficult to see what additional benefit this would convey.

**Q14. Please explain what guidance, tools and data companies might need: i) for financial and risk managers to understand climate risks and their implications for their business and ii) for companies to implement the TCFD recommendations in financial disclosures.**

No comment.

**Q15. What other policy approaches can work with reporting to drive energy efficiency, reduce bills, reduce emissions, and improve transparency for investors so they are more able to hold companies to account? We are in particularly interested to hear about any implications of potential complementary policy approaches for the design of an energy and**

**carbon reporting scheme.**

We support in principle the wider measures set out in the Cleaner Growth Strategy.

**Q16. Please provide views and any information you may have on the relative costs and benefits of: A) (1) Central digital reporting and publication of energy and carbon data, including specifically how these costs and benefits compare to reporting through the Companies Act regime on paper that is scanned to images by Companies House to make it available**

We are supportive of central reporting provided it is on a sectoral basis, but have no information on the relative costs and benefits of the how this might be achieved.

**(2) Please outline the different costs and benefits of: (i) mandating electronic**

**energy and carbon reporting via Companies House, with complementary activity by government to collate public data and make a single central data set available (ii) replacing reporting to Companies House with a new dedicated central IT portal, the data from which could be published (iii) placing such a dedicated central IT portal alongside the current proposals**

No comment.

**B) (1) Dedicated administrator(s) and regulator(s), including specifically how these costs and benefits compare to administration and regulation of energy and carbon reporting as described within the Companies Act regime (2) Please outline the different costs and benefits of administration and regulation in relation to both replacing the current proposed scheme and placing such a scheme alongside the current proposals.**

No comment.

**Q17. If replacing the proposed regime in future, please set out how a dedicated central energy and carbon reporting regime could continue to meet the needs of investors and others in relation to GHG reporting by UK quoted companies, currently required to be alongside financial information in annual reports.**

As we commented earlier, no decisions should be made on any further development of the scheme until the initial phase has been implemented and evaluated.

**Q18. Do you have any other comments on the description of how potential future enhancements to energy and carbon reporting might function under any of the possible approaches, have other suggestions for future enhancements, or consider that any aspects of energy and carbon reporting proposed for 2019 might be better deferred? Please explain your answer.**

Regarding deferral in 2019, we would re-iterate again our view that no enhancements to the basic proposed system should be contemplated until the latter has been thoroughly tested and evaluated.

This is particularly the case should enhancement lead to the inclusion of some medium sized and SMEs in the reporting framework. It is possible that the former could be included in the scope of ESOS by the turnover criteria but not by headcount and thereby be excluded from ESOS. Some of these latter companies might have then to pay the enhanced CCL under the Government’s preferred option, but not have an evidence base on which to base energy efficiency decisions. Further, even if they might wish to procure ESOS on a voluntary basis, the cost relative to their financial resources may be prohibitive.

The procurement of an EPC may be, therefore, a more cost-effective entry route for these businesses provided current deficiencies of consistency, quality and comprehensiveness are rectified and some of the problems encountered in securing long term (over 7 years) finance to pay for improvements are addressed (the latter are issues for the larger companies as well).

In summary, the basic proposals represent a positive step forward to improve energy and carbon reporting. Having said that, we urge caution in expanding the approach before the initial phase has been tried and evaluated.

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AR would be very pleased to discuss our comments with you further.

Yours Sincerely



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