

# Your Guide to **SECR Success**

Supporting your  
journey to **Net Zero**



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# Introduction to Streamlined Energy and Carbon Reporting (SECR)

## What is SECR?

Streamlined Energy and Carbon Reporting (SECR) came into force on 1st April 2019 as part of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

SECR requires quoted companies, large unquoted companies and large limited liability partnerships (LLPs) to disclose greenhouse gas (GHG) emissions and energy use (from electricity, gas and transport). They must also record energy efficiency actions and report against at least one intensity ratio. This information must be published as part of annual financial filing obligations.

## Why is SECR being introduced?

**Reduce** the overall administrative burden on participants.

**Improve** incentives to save energy by improving energy efficiency.

**Drive** behaviour changes by raising awareness of energy efficiency with decision makers.

**Boost** the importance of energy efficiency in relation to organisational reputation.

**Increase** transparency for investors so that companies can be held to account.



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**11,900**  
organisations  
across the UK  
need to comply

## Example Timings

For a company with a financial year beginning:

SECR compliant documents must be included within your Directors' Report published following:



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# Who will need to comply?

## Who is exempt?

It is important to note that 'not-for-profit' organisations such as Universities or NHS Trusts may be eligible.

UK subsidiaries, who meet the eligibility criteria, but are covered by a parent group's report (unless the parent group is registered outside the UK).

Companies that use less than 40,000 kWh of energy during the reporting year.

## Landlord / Tenant Responsibilities

In the case of landlord/tenant arrangements, the party responsible for the consumption of energy should take the responsibility for reporting it.

If you are not sure if you meet the qualifying criteria for SECR, get in touch:



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### Criterion 1

Are you a UK Quoted company?

**Yes**

You are already complying with MGHG and are in the scheme.

### Criterion 2

Are you a UK incorporated company or LLP?

**Yes**

With two or more of the following:

More than 250 employees?

Is your turnover > £36m?

Is your balance sheet total > £18m?

**Yes**

You are in the scheme.

# Scheme criteria compared

## Any UK organisation that either:

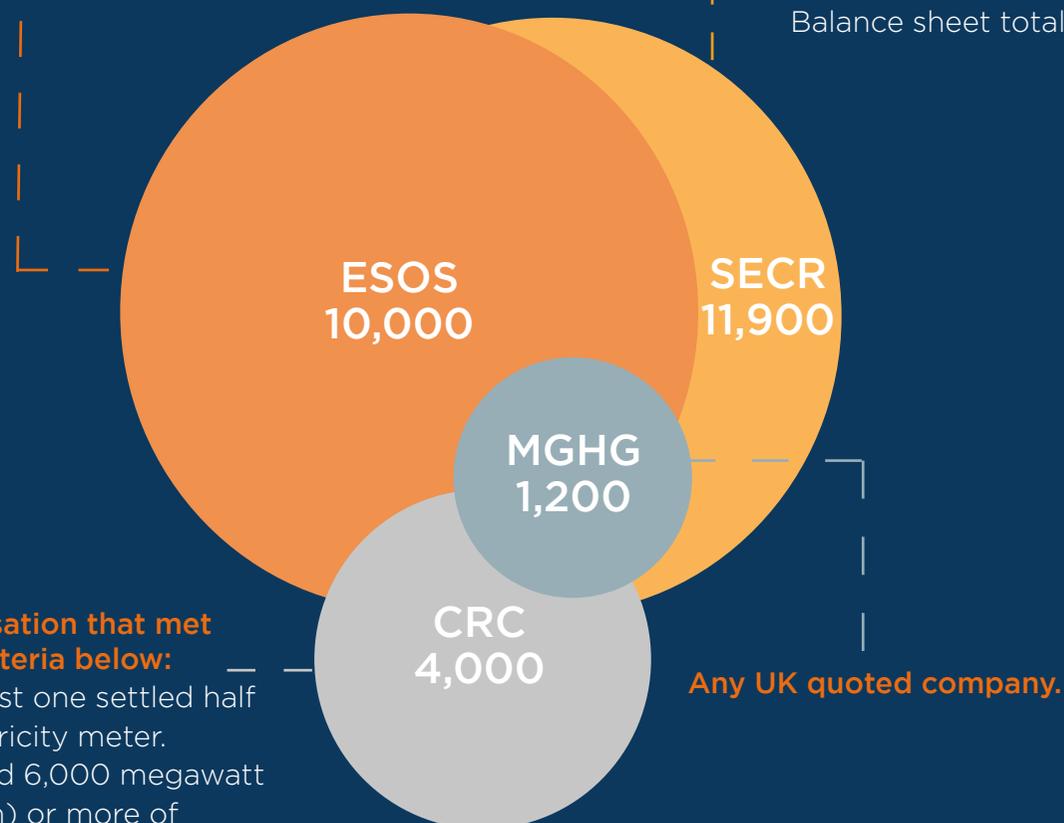
1. Employs 250+ people, or;
2. Has an annual turnover in excess of €50 million and an annual balance sheet total in excess of €43 million or
3. Part of a group meeting criteria above.

## Any organisation that meets either of the criteria below:

1. UK Quoted Company (MGHG), or;
2. UK incorporated company or LLP that meets two of the following:
  - Number of Employees > 250;
  - Turnover > £36m;
  - Balance sheet total > £18m.

## Any organisation that met both the criteria below:

1. Had at least one settled half hourly electricity meter.
2. Consumed 6,000 megawatt hours (MWh) or more of qualifying electricity supplied on the settled half hourly market (2012/13).



Any UK quoted company.

How does SECR fit with other energy and carbon compliance schemes?

## Mandatory Greenhouse Gas

**Emissions:** SECR extends MGHG reporting disclosure requirements for quoted companies.

Around 1,200 companies currently report under MGHG. Under SECR, this number will increase to around 11,900.

## Carbon Reduction Commitment

**(CRC):** The introduction of SECR coincided with closure of CRC at the end of the last compliance year (2018/19).

Many CRC participants will not be in scope for SECR because qualification criteria relate to business size rather than energy consumption.

**ESOS:** SECR complements the existing Energy Saving Opportunity Scheme (ESOS), which is expected to continue.

Some ESOS participants may fall outside the scope of SECR.

ESOS requires companies to report energy saving opportunities rather than energy efficiency actions, as with SECR. ESOS data can support compliance.

# What do I need to report?

Environmental Reporting Guidance has been published for Streamlined Energy and Carbon Reporting (SECR) which comes into force from April 2019.

Reporting elements differ between Quoted Companies, and Large Unquoted Companies/LLPs, and are as follows:

## UK Quoted Companies:

### As currently included:

- GHG Protocol Scopes 1 and 2 emissions.
- Preceding year's emission figures.
- Methodology.
- Minimum of one intensity ratio.

### From year concluding on or after 31st March 2020:

- Underlying global energy use in kWh (this should also include a split of what is used/emitted in the UK and offshore).
- Commentary on energy efficiency action taken.

## UK Unquoted Companies and LLPs:

### From year concluding on or after 31st March 2020:

- UK energy use in kWh (minimum of gas, electricity and transport).
- If reporting company is an offshore undertaking, emissions and energy use for both UK and offshore operations must be disclosed.
- Associated greenhouse gas emissions (tCO<sub>2</sub>e).
- Preceding year's emissions and energy use figures (beginning in year 2).
- Methodologies for calculating the above.
- At least one intensity ratio
- Commentary on energy efficiency action taken.

## How should companies report?

Energy and carbon information must be reported in the Director's Report as part of annual filing obligations. In some instances, disclosures may instead be published in the strategic report. LLPs will be required to prepare an Energy and Carbon Report, approved and signed off by LLP members. Charitable companies should publish information in their Combined Directors' and Trustees' Report.



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## How is SECR enforced?

The Conduct Committee of the Financial Reporting Council are responsible for monitoring the compliance of reports submitted to Companies House.

## What are the penalties for non-compliance?

If Companies House reject the report submission, a late filing penalty will apply.

The Conduct Committee has authority to apply to the courts for an order requiring directors to prepare revised reporting / set of accounts where the reporting requirements have not been met.



# 7 factors to consider to ensure you are fully prepared:

- 1. Identify** whether you meet the qualifying criteria for SECR.
- 2. Act promptly** to prepare your energy reporting systems and processes for the collection of information required. This is particularly important for the many newcomers to environmental reporting.
- 3. Centralise** and make full use of existing data-collection processes. You may already have data collection systems in place for existing compliance requirements, e.g. ESOS and Carbon Disclosure Project (CDP). Take advantage of these processes to reduce your administrative burden of reporting.
- 4. Data collection** should be completed on a monthly or quarterly basis so that it is not a massive task to complete at the last minute. This will ensure that systems and processes for gathering and collating data are working, that the data is verifiable and there are no gaps.
- 5. Consider** what intensity metric to use ensuring that it is relevant to your business operations, e.g. for a carpet manufacturer it might be kWh consumed per square metre of product produced.
- 6. Think** seriously about implementing recommended energy efficiency measures, since you will be required to produce a narrative about the actions you have taken during the financial year. Lack of implemented efficiency improvements demonstrated could have reputational and CSR impacts for you.
- 7. Define** roles and responsibilities to ensure that the compliance timetable is met. Involvement will be required throughout the business, e.g. operations, facilities and energy management, plus external stakeholders, such as energy providers.



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your journey to  
Net Zero**

SECR can be a real opportunity to boost your business's sustainability credentials and demonstrate your commitment to the UK's 2050 Net Zero target.

## **SECR with substance**

Don't miss out on your chance to optimise your organisations's efficiency. Inspired's SECR service provides quarterly updates so you can keep on track of your progress and drive real value from SECR.

**E&CM's experts can help you implement your energy efficiency projects - keeping your optimisation opportunities on track.**



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