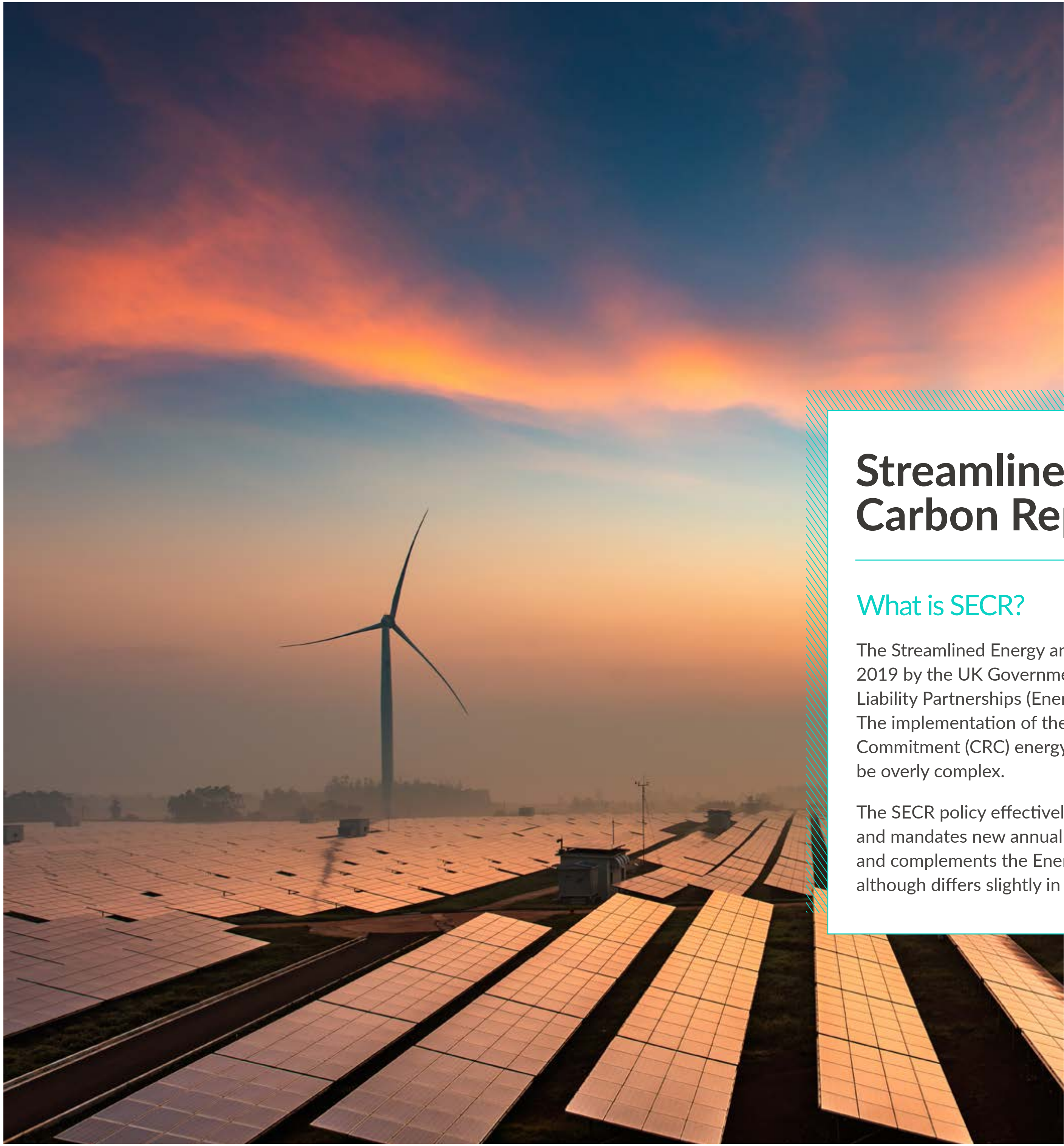

A&L Goodbody

Streamlined Energy and Carbon Reporting (SECR)

What is SECR?

The Streamlined Energy and Carbon Reporting (SECR) policy was introduced on 1 April 2019 by the UK Government in line with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 coming into force. The implementation of the SECR policy coincided with the end of the Carbon Reduction Commitment (CRC) energy efficiency scheme, which was generally considered by many to be overly complex.

The SECR policy effectively extends existing reporting requirements for quoted companies and mandates new annual disclosures for large unquoted and limited liability partnerships, and complements the Energy Savings Opportunity Scheme (ESOS) which remains in force although differs slightly in that it doesn't require public disclosure.

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Who must report?

It is estimated that the new regulations require approximately 12,000 companies in the UK to disclose their emissions (a much higher figure than previously required under the CRC). The regulations affect three main types of business and companies which meet the following criteria must comply with the obligations unless they are exempt (see table opposite for possible exemptions):

- quoted companies of any size that are already obliged to report under mandatory greenhouse gas reporting regulations
- unquoted companies incorporated in the UK that meet the definition of 'large' under the Companies Act 2006 will have new reporting obligations. This applies to registered and unregistered companies. Note that the criteria for 'large' differs from the ESOS regulations
- 'large' Limited Liability Partnerships (LLPs) will be required to prepare and file an 'Energy and Carbon Report'.

What constitutes 'large'?

Unquoted companies or LLPs are defined as 'large' if they meet at least two of the following three criteria in a reporting year:

- a turnover of £36 million or more
- a balance sheet of £18 million or more or
- 250 employees or more.

Important points to note	
Public bodies	Not captured under new regulations but remain subject to other legislation which requires carbon reporting.
Charities, not-for-profit companies or others undertaking public activities	Should check if the entity meets the qualifying criteria in the table opposite.
Private sector organisations	Private sector entities which fall outside scope of regulations are encouraged to report voluntarily.
Statutory exemption	Companies with a low energy use of 40MWh or less over the reporting period can avail of the de minimis exemption but must include a statement to this effect in their report.
Group level reporting	Report should include relevant information for parent group and all subsidiaries. However, the group report can exclude information for any subsidiary which would not be required to report in its own right.
Subsidiary reporting	If a subsidiary is obliged to report under SECR policy, it does not need to include energy and carbon information in its accounts and reports if this is already captured in a parent company's group report.
Prejudicial reporting	If the directors or members of the business consider disclosure of the required information to be "seriously prejudicial" to the organisation's interests then it does not need to report.*

**Note that Government guidance states that this exemption is applicable in exceptional circumstances only and any assertion to this effect may be investigated.*

Why must you report?

The SECR framework requires more businesses than ever before to publicly disclose their energy and carbon information and is intended to encourage the implementation of energy efficiency measures whilst promoting the reduction of carbon emissions.

Perhaps the most vital aspect of the policy is that information is now publically accessible and provides important details for investors and financial advisors as the world gradually transitions to a sustainable, zero net carbon economy.

When and how to report?

The relevant information relating to energy usage and carbon reporting must be included in a company's Directors' Report or equivalent Energy and Carbon Report for LLPs and filed at Companies House, for financial years beginning on or after 1 April 2019.

After the first annual report is filed, each subsequent report must include a comparison with the previous year's figures which will be an invaluable tool for tracking an entity's progress in reducing usage and emissions.

What next?

With the introduction of the SECR framework, and as energy usage and carbon emission reporting becomes more mainstream, it is likely that businesses will look to reduce their carbon footprint to the greatest extent possible.

One of the many impacts that the public disclosure requirement is having on the corporate world is that organisations are increasingly looking for carbon reduction solutions. We anticipate increased interest in on-site generation, private wire power purchase arrangements, green energy tariffs and energy efficiency as businesses look to reduce their environmental impact.

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