



# KEYSOURCE

## SECR OVERVIEW

**Streamlined Energy & Carbon Reporting (SECR) is the new industry legislation introduced in April 2019, replacing the Carbon Reduction Commitment (CRC) scheme. This scheme changes the requirements for energy and carbon emissions reporting, putting more responsibility on organisations to choose how they measure and report their emissions. The first reports are due in 2020.**

**SECR has been introduced as part of the UK Clean Growth Strategy, which aims to improve energy efficiency among businesses by 20% by 2030. Additionally, as per the requirements of the Fourth Carbon Budget, emissions must also be reduced by 51% by 2027.**

### WHO IS IN SCOPE?

...

A company falls into scope if they fulfil two or more of the following criteria:

- They have more than 250 employees,

- The annual turnover is more than £36million,
- The annual balance sheet is greater than £18m.

### WHO IS EXEMPT?

...

- Companies that are not registered in the UK,
- UK subsidiaries that qualify for SECR but are already covered by a parent's group report (unless the parent company is not registered in the UK),
- Public sector organisations, charities and private sector organisations that don't file reports to Companies House,
- Companies that use less than 40,000 kWh of energy in the reporting year.

### WHAT ARE THE BENEFITS OF COMPLYING WITH SECR?

...

SECR allows companies to improve their carbon reduction

and energy efficiency. Such improvements could drive financial savings and become an investment area for energy improvement measures.

SECR falls under the same compliance rules as financial reporting so non-compliance could result in penalties and unlimited fines.

### WHAT ARE THE REPORTING REQUIREMENTS?

...

- It is an annual requirement and a statement must be included in the Directors report,
- LLP's are required to submit a standalone report to BEIS,
- SECR came into force on 1st April 2019 and the first report should include data from the 2019 –2020 period alongside their financial reporting.



## WHAT IS REQUIRED TO SUBMIT A FULL REPORT

...

What to Report	Quoted Company	UnQuoted UK Company
Energy Use	Global	UK
Scope 1 Emissions	Global	UK
Scope 2 Emissions	Global	UK
Scope 3 Emissions	Voluntary	Voluntary
Carbon Intensity	Yes	Yes
Energy Efficiency Measures & Results	Yes	Yes

(A quoted company is a public joint stock company whose shares are traded either on the main stock exchange or related secondary markets such as the unlisted-securities market)

## WHAT ARE THE GHG EMISSIONS SCOPES?

...

Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

Scope 1	Scope 2	Scope 3
Fuel combustion Company vehicles Fugitive emissions	Purchased electricity, heat and steam	Purchased goods and services Business travel Employee commuting Waste disposal Use of sold products Transportation and distribution (up- and downstream) Investments Leased assets and franchises

## TIMELINE?

...

SECR started on 1st April 2019 and the first report should include data from the 2019–2020 (e.g. April to March) compliance year.

Companies may report emissions for a different 12-month financial period, but this must be stated in the Directors report or Energy and Carbon Report if done so.

This might be of interest if the business is trying to align with Energy Saving Opportunities Scheme (ESOS) reporting years. However, it is recommended to report in line with financial year and the first SECR compliance year.

## WHAT DO FINANCE DIRECTORS NEED TO DO TO PREPARE?

...

The implications are varied but the main requirements are:

1. Report all UK energy use including total underlying energy use such as transport.
2. Report on energy efficiency action taken in the last 12 months. (It is important to note that if you don't have these in place you will need to implement new structures and systems in order to do this).
3. Companies will be required to include this data and information within their Directors report.
4. Be prepared for increased Climate Change Levy (CCL) charges:
  - Carbon Reduction Commitment (CRC), which was abolished in March, will continue via an increase in the CCL rate, a non-commodity charge found in utility bills.

## WHAT ARE THE PENALTIES FOR NON-COMPLIANCE?

...

SECR comes under the same compliance rules as for financial reporting for Companies House. So, reporting energy usage – or not – will follow the same penalties and fines as late financial filing

charges. Therefore, in the most extreme example, if energy was unreported or misreported through SECR, a named director or the organisation may be taken to court and could face an unlimited fine. There will also be civil penalties for any late filing of SECR reports, or where accounts do not meet the specific requirements laid out under the Companies Act.

## HAVE A DATA CENTRE OR SERVER ROOM?

...

Data from the Climate Change Agreement (CCA) from 2016 showed that of the data centre related participants, usage was 2.57TWh which equates to 0.7% of the total electricity supplied in the UK. The CCA scheme has successfully reduced carbon emissions in the sector by way of PUE reduction, but more can still be done by focusing on carbon stewardship.

It's worth noting that SECR does require businesses to include a narrative description of measures taken to improve the businesses' energy efficiency in that year. Where possible, resulting energy saving from the actions reported should also be stated.

With the right monitoring equipment in place, measuring the power and carbon creation from a data centre or server room can not only help with auditing and reporting for the mandatory SECR, ESOS and GHG but can also be used for business cases to improve sustainability and reduce capex through ROI models. It can assist with capacity and future planning and will ensure that the business is doing all it can to ensure the products, services and procedures chosen in any critical facility are done so with a thorough understanding of the current environment as well as future plans.

From a marketing perspective, the business can use these reported figures, confident that they are accurate and without omissions and will naturally form a benchmarking metric for prospective clients and investors.



## HOW CAN KEYSOURCE HELP?

...

**Keysource can assist with your first SECR report, creating an easy to understand template that fits your business for future use. We will decide the most appropriate metrics to measure your business against and express your emissions as a ratio of activities chosen specifically for your company.**

**We can carry out all necessary audits to ensure you are fully compliant with SECR, with minimal disruption to your organisation.**

### UNDERSTAND

...

Our team can help you determine your risk/exposure to SECR compliance both now and in future years.

### INFORM

...

We can then work with colleagues responsible for annual financial report submission (to Companies House) to make sure they stay informed of any current/future SECR inclusions.

### COLLECT

...

We then support you to implement a utilities and data centre consumption and emission type data collection strategy across your organisation. This might be via energy champions at each location, recording meter readings or collecting data from utility providers. SECR suggests automated metering data be used where possible to remove/reduce data inaccuracies from this process. Supplier invoices should be used to cross-reference site information rather than informing the submission.

### CALCULATE

...

Scope 1 & 2 emissions (including transport) are required with Scope 3 reporting being currently optional. We can help you decide and report on an intensity metric - this will be a metric that influences energy use (i.e. production, per employee or floor area).

### REPORT

...

Having gathered the data from your global and/or UK energy use, emissions and intensity metrics, we can help draft the required commentary of energy efficiency measures as part of your Annual Report submission to Companies House.

### ACTION

...

Using the Keysource Energy Optimisation Survey we can periodically monitor specific pieces of equipment and operational parameters and work to increase efficiency, reduce power consumption and in turn reduce carbon. We can also support with general energy reporting and associated works to improve the efficiency of building services.

## WHAT'S NEXT?

For further assistance with SECR, ESOS, GHG reporting, ISO compliance or data centre certification please contact Keysource on:

0345 204 3333

[Click here to contact us](#)

More information on SECR can be found via the Government website [here](#).