

# Measuring and reporting of greenhouse gas emissions by UK companies: a consultation on options

Response to the DEFRA Consultation

July 2011

## 1: Summary

- 1.1 The CIEH supports mandatory reporting of greenhouse gas emissions by the larger UK Companies as a way of more comprehensively monitoring progress, raising the participation levels and increasing the public awareness and profile of this critical issue.
- 1.2 The CIEH supports Option 3 for mandatory reporting to apply to all large companies, public and private; for them to report on their greenhouse gas emissions (the six gases covered by the Kyoto Protocol) in their director's report up to and including scope 3.
- 1.3 The CIEH would question the validity of the assertion made within the impact assessment that the introduction of such a scheme will carry immense costs as it is currently unclear on what evidence this assessment is based. We would propose a more holistic analysis needs to be carried out which considers not only any costs but also the benefits.

## 2: Background – the value of reporting

- 2.1 In some respects, the UK is leading the world in its ambition for tackling climate change and promoting sustainable development. Leadership was demonstrated in negotiating the Kyoto Protocol (and meeting the legally-obligated target for reducing greenhouse gas emissions under the Protocol). The Climate Change Act was the first legislation of its kind, imposing a legal obligation to reduce carbon emissions by 80 per cent by 2050.
- 2.2 Having set out to lead in these ways, if government is to have credibility it is essential to follow through and actually to deliver on our promises. It is therefore necessary to act in accordance with this premise. The discipline and transparency that reporting brings makes mandatory reporting a convincing proposition.
- 2.3 Reporting is an essential tool at every level: contributing to the full picture nationally, providing accountability of the reporting organisations in the fulfilment of their obligations and supplying information to a number of important audiences including international institutions, other nations and to the public.
- 2.4 No doubt Section 85 of the Climate Change Act was enacted with all these considerations in mind. Nothing has changed since that Act was passed to lessen the seriousness of the environmental challenges facing humankind nor to lessen the urgency of the need for decisive action to tackle climate change and achieve more sustainable economic, environmental and social pathways.
- 2.5 Voluntary reporting has been already been tried in the UK. Defra provides a model for voluntary reporting but although a large number of businesses are reporting, only between 9% and 22% are reporting in line with the Defra guidelines.

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### 3 What is the right way to achieve mandatory reporting?

- 3.1 As the consultation document points out, there are a number of schemes requiring the reporting of various emissions by a variety of organisations. Some Companies therefore already detail their emissions but potentially in different ways and outside the scopes defined in the consultation.
- 3.2 As the consultation also points out, BIS plans to consult on a requirement for a narrative reporting framework.
- 3.3 Clearly the burdens and costs of providing relevant details can best be contained by achieving as much commonality as possible as between reporting schemes. Elements such as what data to capture and how to build it into a baseline to work from, to what extent a single framework can be adapted, the “look and feel” of the family of such schemes and whether reporting will include scope 3 indirect emissions are all capable of design in a way intended to reduce burdens and costs.
- 3.4 The Government has a clear view of the need to reduce the existing body of regulation generally as well as only to introduce new regulation where the justification is compelling. However in the present case, regulation is essential for the reasons stated above. The extent of the regulatory requirement depends on the view one takes of the significance of the following factors:
  - The benefits for Companies and investors of carbon reporting in terms of greater efficiency, increased competitiveness and reputational advantage;
  - Leadership within the community of nations;
  - Accountability to workers, consumers and citizens as well as to investors.

***The CIEH supports Option 3 for mandatory reporting to apply to all large companies, public and private; for them to report on their greenhouse gas emissions (the six gases covered by the Kyoto Protocol) in their director’s report up to and including scope 3.***

### 3: How should the mandatory reporting be implemented?

- 3.1 There is a need for simplifying existing schemes that require data to be collected and reported and concurrently designing this reporting requirement to be compatible. If this work were to be undertaken now, there ought to be improved read-across from one scheme to another.
- 3.2 Additionally, as this new scheme comes in, it may be possible to withdraw some existing requirements – for example, will there be any need for the CRC Energy Efficiency Scheme league table?
- 3.3 The design of the scheme ought also to include the issue of phasing the introduction of the new requirement – and, as has been observed already, this requirement must be compatible from the outset with the BIS scheme for narrative reporting. The other obvious Government Department to take part in planning for a “joined up” reporting regime is DECC.

3.4 Currently, the Impact Assessment claims that the costs of implementing a mandatory reporting scheme will be immense. We would dispute this as it is not clear on what evidence this assertion is made. It is essential that the Department engages with those organisations – like the Aldersgate group – who can help to identify more robust and reliable methods for making the assessment of the costs and benefits of adopting a mandatory reporting scheme.

#### 4 Specific answers to the consultation questions: (Numbering relates to the numbers on pages 24 – 25 of the consultation document)

- 1 The CIEH does not support enhanced voluntary reporting.
- 2 If a voluntary approach were to be selected by the Government, the CIEH would favour the widest possible grouping for those “invited” to report and for the work on simplifying other schemes and seeking greater compatibility between schemes to be pursued.
- 3 Mandatory reporting of greenhouse gas emissions should be supported for the reasons given above.
4. Option 3 for mandatory reporting should be supported for the reasons given above.
- 5 There are a number of inaccuracies and questionable assumptions in the Impact Assessment which accompanies the consultation, as it over-estimates the costs and undervalues the benefits of reporting. For example, “the upper band costs are estimated at £6 billion, which is three times more expensive than similar legislation in the United States.
- 6 Financial and non-financial matters in the director’s report can best be aligned by reference to the directors’ control over finances, which in turn makes it easier to incorporate scope 3 emissions.
- 7 It follows that reporting should incorporate all emissions within the Company’s organisational boundaries, including its operations outside the UK.
- 8 The Department should insist on robust data but where actual figures are genuinely not capable of collection, an alternative basis will need to be mandated and this basis disclosed in the report.
- 9 Companies should be required to measure and calculate emissions from the six gases covered by the Kyoto Protocol.
- 10 Companies should be required to measure, or calculate, and report on all their scope 1 and scope 2 emissions.
- 11 Companies should be required to measure and report on any of their scope 3 emissions (in addition to scope 1 and 2). There is a question of how far down the supply chain Companies should have to report these emissions and consistency with other supply chain data collected already should guide where to draw the line.

- 12 The CIEH agrees that Companies should specify in their directors' reports, the total annual amount of greenhouse gas emissions in CO<sub>2</sub>e broken down by direct emissions (scope 1) and indirect energy (scope 2 and scope 3).
- 13 It is logical to include an assessment of the carbon intensity of business operations.
- 14 It is necessary for Companies to specify a baseline for reporting its emissions and the more that can be done to ensure comparability between Companies and sectors the better.
- 15 There is no other information that the CIEH suggests should be reported.
- 16/17 Internal verification of greenhouse gas emissions should be sufficient.

## About the CIEH

**The Chartered Institute of Environmental Health is a professional, awarding and campaigning body at the forefront of environmental and public health and safety.**

The Chartered Institute of Environmental Health (CIEH) is a registered charity and the professional voice for environmental health. It sets standards, accredits courses and qualifications for the education of members and other environmental health practitioners.

It provides information, evidence and policy advice to local and national government and environmental and public health practitioners in the public and private sectors. As an awarding body, the CIEH provides qualifications, events, and support materials on topics relevant to health, wellbeing and safety to develop workplace skills and best practice.

As a campaigning organisation, the CIEH aims to promote improvements in environmental and public health policy. It is based in the UK with offices in London, Belfast and Cwmbran.

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