



MAKE ESOS WORK FOR YOU

A QUICK GUIDE TO ESOS PHASE 2 COMPLIANCE

MAKE ESOS WORK FOR YOU

The Energy Savings Opportunity Scheme (ESOS) is a mandatory government regulation that requires large enterprises to assess their energy consumption and identify savings opportunities.

As well as increasing energy efficiency, ESOS aims to help these organisations increase profitability and competitiveness by identifying cost-effective measures to improve energy performance.

‘Opportunity’ is the key in the scheme: it presents the opportunity to accelerate the programme for improving energy performance in your organisation.

WHAT IS REQUIRED?

ESOS requires all large enterprises in the UK to measure their energy consumption, identify energy-saving opportunities, and report their findings to the Environment Agency, the scheme administrator. It runs over four-year phases; Phase 1 ended on 5th December 2015 and Phase 2 will end on 5th December 2019.

In Phase 2, qualifying organisations must complete their ESOS assessment by 5th December 2019.

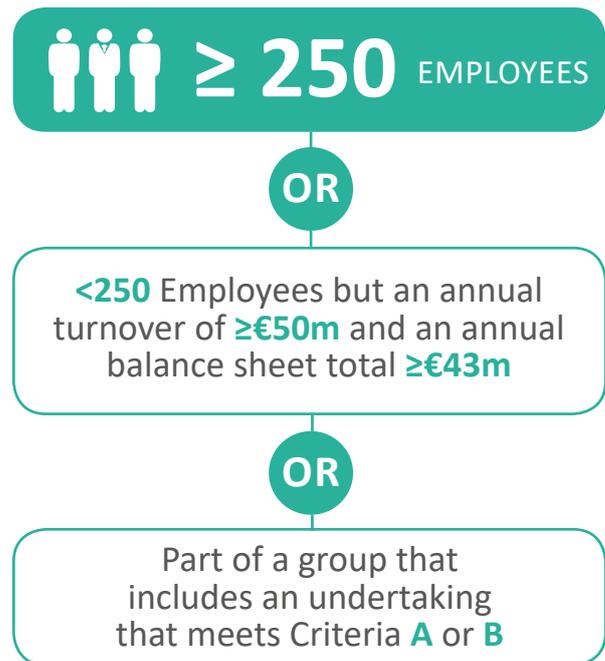
This must include:

- Measurement of total energy use from buildings, transport and industrial process
- Identification of cost effective energy efficiency recommendations
- Notifying compliance to the Environmental Agency (as the Scheme Administrator).

The measurement of energy use must cover a full 12-month period that includes 31st December 2018. Identification of cost-effective energy efficiency recommendations must be undertaken on at least 90% of the total energy consumption.

DO I NEED TO COMPLY?

All large enterprises are required to participate in ESOS. ‘Large enterprise’ is defined as organisations meeting the criteria below. Organisations must take part in ESOS if they are part of a corporate group which includes another undertaking that meets the criteria, even if they themselves do not.



Public sector bodies are excluded, but ‘enterprise’ is defined as “any entity engaged in an economic activity, irrespective of its legal form”, so ESOS not only applies to large private sector companies but also:

- Partnerships
- Unincorporated associations
- Charities
- Trusts
- Universities (that self-declare as private sector and qualify)

Small and medium enterprises (SMEs) are not required to participate, unless they are part of a corporate group which includes a large enterprise.

HOW TO COMPLY WITH ESOS – 3 PATHWAYS

Working with organisations across market sectors, we are seeing three pathways to ESOS being adopted, with organisations choosing their pathway based on their specific energy management and business objectives.

Planning early is critical to ensure that all options can be considered and that the chosen pathway is selected based on its merits rather than just the amount of time available before the compliance deadline.

PATHWAY 1: ESOS PERFORMANCE – A STRATEGIC APPROACH USING ENERGY AUDITS

The objective of this pathway is to drive maximum bottom-line benefit to the organisation. Acting early to identify the right areas of operations to audit will maximise the efficiency of the approach.

Engaging within the organisation will help run the programme smoothly and secure buy-in to act on recommendations and reduce energy use and spend.

PRO

1. Detailed analysis of the energy optimisation opportunity
2. Quick to implement
3. Ability to focus on a sample of your buildings
4. New insight into transport energy use

CON

1. Strategy and implementation of energy saving measures are not built in
2. Process of audits for large portfolios may be a significant commitment
3. Potential shortage of accredited assessors

PATHWAY 2: ISO 50001 – CONTINUAL IMPROVEMENT IN ENERGY PERFORMANCE

The objective of this pathway is to develop a systematic approach to energy management. Establishing an energy management system provides the framework to continually improve energy performance, not just identify opportunities. Planning, implementing and certifying a system takes time and commitment, so planning early is essential.

PRO

- Clear framework for a strategic approach to improving energy performance
- Involves full senior level support and engagement
- Effective energy management and continual improvement are embedded in operations
- Internationally recognised certification that strengthens brand and reputation

CON

- Greater engagement from the business to sign-off, implement and maintain the standard
- Time required for implementation and certification
- Additional documentation and administration

PATHWAY 3: ESOS LITE- MEETING THE MINIMUM LEGAL REQUIREMENTS

The objective of this pathway is to find the lowest cost means compliance. Where an organisation feels there is low potential to reduce its energy use significantly, the benefits of taking a strategic approach may be limited. In such cases, there are approaches that achieve compliance at a lower cost: using Display Energy Certificates, or reducing the number and rigour of audits. However, these approaches are unlikely to lead to return on investment through reduced energy spend.

Furthermore, overly simplistic energy audits or small sample sizes may be found to be non-compliant in the event of an external audit.

PRO

- Cost-effective if very low opportunity to improve performance (e.g. small shared office space)
- Quick to implement

CON

- Limited benefits from DEC advisory reports which are less thorough than audits
- DEC Assessors must visit all sites for which a DEC is required
- Sampling approaches may not be used with DECs
- DEC lodgement requires auditable evidence of consumption and floor areas
- DEC benchmarks often do not favour commercial buildings, resulting in poor ratings

Whichever route or combination of routes is taken, compliance must be reviewed by a qualified Lead Assessor, ensuring that savings identified are real and achievable.

WHAT ABOUT MY OPERATIONS IN OTHER EU COUNTRIES?

ESOS is the UK transposition of Article 8 of the EU Energy Efficiency Directive. While the general requirements are standard across the EU, each of the 28 EU member states has its own national transposition defining the qualification criteria, accepted routes to compliance and enforcement process and penalties; there are variations across all three aspects.

Multinational corporations must consider qualification in each state in which they have operations.



ROBUST OVERSIGHT FROM GOVERNMENT

Since Phase 1 of ESOS ended, the Environment Agency (the EA), the ESOS administrator, has audited over 380 ESOS participants to check compliance with the regulations. The majority were deemed to be compliant or compliant with remedial actions.

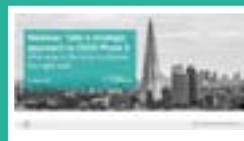
A number of participants were classed as non-compliant and served with an Enforcement Notice requiring them to complete a series of actions to bring their ESOS assessment into compliance. Failure to comply with the conditions of a notice can lead to substantial financial penalties, in line with the EA's Enforcement and Sanctions Guidance. In Phase 1, it seemed that the EA prioritised identifying all organisations that qualify and helping them participate effectively in the scheme. It is possible that in Phase 2 the EA will enforce the terms of the regulations more fully.

LESSONS FROM ESOS PHASES 1

In Phase 1, Carbon Credentials acted as Lead Assessor for 49 organisations and completed over 300 ESOS audits. Our clients took a range of approaches to ESOS, from seeing it as primarily a compliance exercise to using the process to transform their operations and create business value that far exceeds the significant reductions in energy spend.

Planning early is critical to ensure that all options can be considered and that you can choose your pathway based on its merits rather than just the length of time available before the compliance deadline.

USEFUL RESOURCES



Take a Strategic Approach to ESOS Phase 2,



Blog - Are You Ready for ESOS Phase 2?



How can you get more value out of the ESOS process?

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