



ITPENERGISED
Earth. Smart. Solutions

ESOS PHASE 2
AUGUST 2017 UPDATE

ENERGY SAVINGS OPPORTUNITY SCHEME – ESOS PHASE 2



ESOS Phase 2 August 2017 Briefing

Introduction

Phase 1 of the Energy Savings Opportunity Scheme ended in December 2015. Phase 2 is now underway and this update is intended to provide guidance on the next steps for participants.

Is ESOS still ongoing given Brexit?

Yes. ESOS was in response to Article 8 of the EU Energy Efficiency Directive requiring all Member States to introduce a programme of regular energy audits for 'large undertakings'. ESOS is unique to the UK and is legislated in the UK. There has been no indication from the Environment Agency or any other government body that ESOS will be abolished.

Is the qualification criteria the same?

Yes. 'A large undertaking' is an organisation that carries out a trade or business which:

- Employs at least 250 persons; or
- Has fewer than 250 employees but has an annual turnover in excess of €50 million and an annual balance sheet in excess of €43 million.

In addition, you will be in scope of ESOS if you are part of a corporate group which includes an undertaking which meets criteria (1) or (2) above.

Organisations that are required to comply with the Public Contracts Regulations 2006 or the Public Contracts Regulations (Scotland) 2012 are exempt from the scheme. Limited companies, public companies, trusts, partnerships, unincorporated associations and not for profit bodies are all potentially within scope. The qualification date for Phase 2 will be December 31st 2018.

Are the scheme rules the same?

Yes. There have been no changes to the compliance obligations or the basic scheme rules from Phase 1 to Phase 2. However, the audits of selected Phase 1 participating companies commissioned by the EA suggests that only 16% of those audited were compliant without the need for remedial action. This would suggest some failures of understanding of scheme requirements by participants and/or some Lead Assessors operating in the market.

What are the key timelines in relation to Phase 2?

Phase 2 started immediately after the initial deadline for Phase 1 which was December 5th 2015. The main timelines for Phase 2, regardless of when you may have notified compliance with Phase 1, are as follows;

- **Phase 2 start date;** 6th December 2015. This means that energy audits completed after this date could potentially be eligible for Phase 2 compliance. However, energy audits must use energy data covering a 12 month period and that 12 month period must all be within ESOS Phase 2.
- **Qualification date;** 31st December 2018.
- **Compliance date;** 5th December 2019

It is important to note that organisations cannot yet commence data collection for reporting their Phase 2 total energy consumption. The earliest this activity can begin is the start of 2018, as ESOS Phase 2 compliance requires a 12-month period of total energy consumption data which includes the qualification date of 31 December 2018. However, we would encourage all businesses to record and understand their energy use on an ongoing basis.

ITP Energised ESOS Phase 2

If you are looking for a reliable partner to support you with ESOS Phase 2 Compliance please contact:

John Barclay on john.barclay@itpennergised.com and +44 (0) 7881 385 633 or
Andrew Bright on andrew.bright@itpennergised.com and +44 (0) 7825 028 301

ESOS Phase 2 August 2017 Briefing

What are the key requirements of ESOS?

Compliance with ESOS requires a review of your energy consumption, including buildings, industrial processes and transportation. In the majority of cases, all energy that is supplied to and used by your organisation is in scope of ESOS, and extends to energy that is generated by your organisation (with the exception of waste heat recovery). Energy consumption which occurs outside the UK (with the exception of international travel beginning or ending in the UK) is outside of ESOS scope.

You must determine your total energy consumption over a consecutive 12-month period known as the reference period. The reference period must overlap with the qualification date. Therefore your reporting process needs to be in place before December 2018. The end date of the reference period must also occur prior to the compliance date of 5th December 2019. This is to ensure that your calculation of total energy consumption is based on your energy consuming assets and activities at the qualification date. You are free to choose any reference period you wish for your organisation, provided it meets these requirements. You can draw upon data collated for other voluntary and mandatory energy efficiency schemes to help (such as EU ETS, CCA's, CRC). The ESOS coverage is wider than existing schemes and as such further work will be required to calculate your total energy consumption. When assessing your reference period, your 12 months of data must include the qualification date and be based on verifiable data. Where verifiable data is not available then ESOS adopts a 'comply or explain' approach and you will need to retain records in your ESOS Evidence Pack to explain your approach. You are still

required to estimate the derived energy value through calculation.

When you have calculated your total energy consumption for the reference period you will need to identify and audit areas of significant energy consumption and assess these to identify cost effective energy efficiency opportunities. You can exclude 10% of your energy consumption from further analysis under the de-minimis ruling.

You can use the findings from previous energy reviews (such as ISO 50001:2011, Display Energy Certificates, Green Deal Assessments) to support your compliance with ESOS. Your Lead Assessor may also consider work carried out as part of other energy audit schemes (such as Green Fleet Reviews). This audit work must have been completed within the compliance review phase (for the second phase this means audits conducted after December 6th 2015) and meet the minimum requirements of an ESOS Energy Audit.

Do I have to do anything if I have already complied with Phase 1?

Yes. If your organisation is likely to meet the qualifying criteria on 31st December 2018 then you will be required to participate for Phase 2 regardless of your circumstances for Phase 1. You should consider which compliance route to take; energy audits or ISO50001 being the two most common. We can work with you to identify the best solution for your business.

What energy sources must I consider for Phase 2?

There are no changes from Phase 1 to Phase 2. The energy sources to be covered are the same and include buildings energy use (electricity, natural gas, oil, LPG etc.) and transport.

ITP Energised ESOS Phase 2

If you are looking for a reliable partner to support you with ESOS Phase 2 Compliance please contact:

John Barclay on john.barclay@itpennergised.com and +44 (0) 7881 385 633 or
Andrew Bright on andrew.bright@itpennergised.com and +44 (0) 7825 028 301

ESOS Phase 2 August 2017 Briefing

Our experience would suggest that transport data collection and energy calculations can be challenging. Most companies already collect buildings energy use data already for CRC but rarely track transport.

What transport data is required?

ESOS does not require participants to measure and audit fuel which they are not supplied with and do not use in their business. Therefore, if your organisation uses contractors to carry out transport activities on its behalf, these operations would be exempt from your ESOS Assessment, but may be part of the contractor's ESOS Assessment, if they qualify. Areas that require evaluation are:

- Freight transport fuel within the UK
- International shipping and aviation for journeys that begin or end in the UK
- Company cars; the energy (fuel/electricity) consumption of vehicles owned or leased by the participant will be within the scope of ESOS. Specifically, it is the fuel/electricity usage which is paid for by the company and consumed in undertaking company business that is in scope.
- Grey Fleet: 'grey fleet' refers to vehicles not owned by the company, but instead owned by its employees, owners, directors or other persons related to the company; and used in undertaking company business. The fuel consumption within a participant's 'grey fleet' will be considered within scope of ESOS where the participant makes payment to the vehicle owner in relation to the use of the vehicle on business (e.g. on a pence per mile basis).

- Energy consumption associated with the personal use of company cars is not considered within scope of ESOS, as the fuel is not being used for company business. Fuel used for commuting is not within the scope of ESOS.

Do I still need a Lead Assessor?

You will need to appoint a Lead Assessor to support the ESOS assessment (unless you are a large organisation that has its entire UK operation certified to ISO 50001). The Lead Assessor can be an external consultant or an internal accredited Lead Assessor and must belong to a register of energy professionals approved for ESOS by the Environment Agency. ITP Energised has experienced Lead Assessors who worked with over 20 companies in Phase 1.

Is there any benefit in considering ISO 50001 as a route to compliance?

Yes. Our team already works with a number of companies who have selected 50001 as their route to ESOS compliance. This route also enables an organisation to maximise the benefits of an ongoing energy management programme at all times rather than carrying out energy audits every 4 years. Good quality energy audits carried out for Phase 1 can also be used as a basis for the energy review requirements of 50001. The other benefits include;

- Competitive edge – drive energy waste out of your business.
- Minimising risk - reduces exposure to energy price fluctuations.
- Best practice – capture successful energy behaviours and technologies and roll out across your business.
- Increased CSR credentials – 50001 demonstrates a commitment to energy efficiency and resulting emission savings to customers and clients.

ITP Energised ESOS Phase 2

If you are looking for a reliable partner to support you with ESOS Phase 2 Compliance please contact:

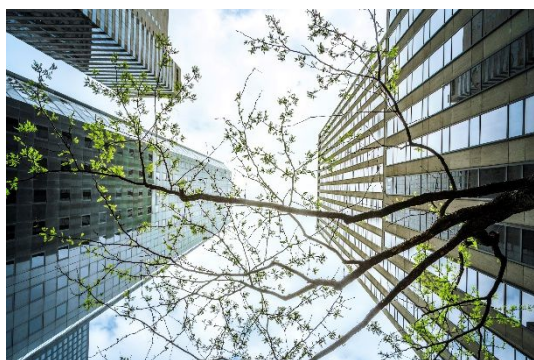
John Barclay on john.barclay@itpennergised.com and +44 (0) 7881 385 633 or
Andrew Bright on andrew.bright@itpennergised.com and +44 (0) 7825 028 301

ESOS Phase 2 August 2017 Briefing

Selected ESOS experience

Wide Industry Sector Coverage

ITPE has provided Lead Assessor services through its experienced team of consultants, and energy audits to a range of companies across all sectors. Members of the team have worked with clients in the oil and gas sector, hospitality, manufacturing, retail and professional services. Our ESOS team have worked with many companies including Expro, Proserv, Munoz Group, Millennium Hotels, Carlsberg, Youngs Seafood's and many more.



Energy Audits to BS EN16247

Our in-house energy auditing team has carried out hundreds of audits both in the UK and internationally. Our lead energy auditor is a Chartered Energy Manager and an ESOS Lead Assessor with the Energy Institute. During Phase 1, our project team carried out ESOS audits across the UK for over 20 clients using the BS EN 16247 methodology.

This approach meets all the requirements for ESOS and can also be utilised as an energy review for the purposes of 50001 certification.

Transport Energy Audits

As part of an ESOS Phase 1 compliance project, one of our Lead Assessors carried out a transport energy audit for the fleet arm of Carlsberg UK. This project involved

comparing fleet operations against industry best practice and quantifying potential energy, carbon and financial savings associated with the roll out of measures such as fleet telemetry and improved aerodynamics in trailer design.

50001 Certification and System Maintenance - Aggreko Manufacturing

ITPE provide energy reporting and analysis on a monthly basis for Aggreko as part of an ongoing ISO50001 support package including internal system auditing. We use our knowledge of building and factory operations to flag up any unusual patterns with suggestions for possible causes. We produce demand profiles as required ensuring that Aggreko is only required to address areas of concern. Our team has also provided energy auditing to BS EN 16247 and ISO 50001 implementation and gap analysis. The system at Aggreko has been independently certified by LRQA.

Auditing and systems - ISO 50001 & 14001 Integrated Management Systems - Maclay Murray and Spens LLP

ITPE provided support to leading law firm Maclay Murray and Spens (MMS) to implement an integrated environmental and energy management system. Independently certified by NQA, MMS achieved certification to the ISO standards. ITPE is retained by MMS to maintain the system and provide ongoing advice and support.

Support Packages Tailored to Your Needs

We recognise that the route to compliance and external support requirements differ according to the needs of each ESOS participant. We will work with you to understand your needs and provide a bespoke package focused on maximising the identification of cost effective energy reduction measures.

ITP Energised ESOS Phase 2

If you are looking for a reliable partner to support you with ESOS Phase 2 Compliance please contact:

John Barclay on john.barclay@itpennergised.com and +44 (0) 7881 385 633 or
Andrew Bright on andrew.bright@itpennergised.com and +44 (0) 7825 028 301