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nqa.

Energy Savings Opportunities Scheme (ESOS) Phases 3 & 4: What this means for carbon reporting

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WEBINAR OVERVIEW

1. Introductions
 2. Background and Context to ESOS
 3. Changes for ESOS Phase 3 and Phase 4
 4. PAS 51215: Energy and Net Zero Assessment
 5. How NQA can help
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Stephen Burt, Field Director



NQA Certification

13 CLIMATE ACTION



ENVIRONMENTAL 13. Climate Action

- ISO 14001 - Environmental
- ISO 50001 – Energy
- PAS 2060 – Carbon Neutrality
- ISO14064 – GHG Quantification and Reporting
- EcoCampus
- ISO 26000 – Social Responsibility
- ISO 20121 – Sustainable Events

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GLOBAL NO.3

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OPERATING
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BACKGROUND AND CONTEXT TO ESOS

- The UK has a statutory commitment to be net zero by 2050, in line with the Paris Agreement of 2015
- As a result of the UK Government's Net Zero Strategy, various regulatory and policy requirements have been / will be introduced, or amended, to mandate compliance or improved compliance amongst increasing numbers of organisations, including:
 - Energy Savings Opportunities Scheme (ESOS)
 - Streamlined Energy and Carbon Reporting (SECR)
 - Climate Change Agreements (CCAs)
 - UK Emissions Trading Scheme (UK ETS)
 - Procurement Policy Notes (PPN 06/21)
 - Etc

We can also anticipate increased supply chain pressures on energy and carbon reporting and reduction, as organisations pursue their own net zero commitments.

BACKGROUND AND CONTEXT TO ESOS

ESOS is a mandatory energy assessment scheme in the UK

- Large undertakings are required to assess and report their energy usage every four years, including the identification of opportunities to improve energy efficiency
 - Phase 1 deadline for compliance: December 2015
 - Phase 2 deadline for compliance: December 2019
 - Phase 3 deadline for compliance: December 2023
 - Phase 4 deadline for compliance: December 2027

Your company or organisation must comply with ESOS Phase 3, if, on 31/12/22:

- You have over 250 members of staff, or
- A turnover of more than £44m and an annual balance sheet of over £38m
- The Government has predicted this will impact around 7,300 UK organisations

(Also applies if you are an overseas organisation with over 250 employees in the UK and / or your company is part of a larger organisation, which falls into any of the above)

BACKGROUND AND CONTEXT TO ESOS

If your organisation has qualified, then you must take a number of steps for compliance:

1. Gather 12 months' verifiable energy data and calculate your total energy consumption for the organisation or group (by buildings, processes, transport)
2. Identify and audit areas of significant energy consumption, and identify where energy saving opportunity potentials are available
3. Appoint an 'ESOS Lead Assessor' – they must be approved by an appropriate professional body, eg IEMA, EI, etc. Responsibilities include undertaking, overseeing and reviewing the energy audit. ESOS Lead Assessors can be external consultants or internal employees
4. Notify the Environment Agency that an ESOS assessment has been carried out in accordance with the Regulations
5. Retain records of the ESOS assessment report and process.

ISO 50001 Certification via a UKAS Accredited Certification Body such as NQA is also acceptable

PROPOSED CHANGES FOR PHASE 3 AND PHASE 4

- The Government have undertaken a consultation with the aim of improving ESOS in moving the UK towards net zero
 - The consultation process is complete, however revised Guidance has not yet been finalised
 - The majority of the indicated revisions to take place will not take place until Phase 4 (due to concerns that organisations which have already undertaken their ESOS Assessments for Phase 3 would have to significantly change them), however some changes will be implemented ahead of the Phase 3 compliance deadline, via an amendment to the Energy Bill
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PROPOSED CHANGES FOR PHASE 3 AND PHASE 4

Summarised ESOS Phase 3 Changes:

- Energy efficiency improvement targets / plans must be set after the Phase 3 compliance deadline, with progress being reported via Phase 4 onwards
- The current 10% de minimis exemption will be reduced to up to 5% (inclusion of buildings, processes and / or transport functions accounting for at least 95% of the group or organisation's overall energy usage)
- An energy intensity metric (kWh/m², kWh/unit output, kWh/miles travelled) is required in ESOS reports
- A standardised template will be produced for including compliance information in the ESOS report
- Subsidiaries must be provided with the ESOS report(s)
- ESOS reports will need more detail on the next steps for implementing recommendations
- Collection of additional data for compliance monitoring and enforcement

ISO 50001 Certification remains as a compliance route

PROPOSED CHANGES FOR PHASE 3 AND PHASE 4

Summarised ESOS Phase 4 Proposed Changes:

- A 'net zero element' will be introduced to ESOS audits. Phase 4 reports must include an assessment of actions needed to meet future net zero commitments (this is voluntary for Phase 3). The Government have sponsored a PAS to facilitate this, PAS 51215-1 Energy and Net Zero Assessment Process Specification, for which the consultation period ended on 20/03/23
- The ESOS participation thresholds will change (lower) to align with SECR – mandating participation for more organisations
- Energy saving opportunity recommendations will need to be acted upon, and if not achieved, an explanation will need to be provided
- ESOS Audits will be required to follow an existing auditing standard such as ISO 50002 or EN 16247
- The route to compliance via Display Energy Certificates (DECs) and Green Deal Assessments (GDAs) will be removed

ISO 50001 Certification remains as a compliance route, although considerations around net zero will also be required

PAS 51215: ENERGY AND NET ZERO ASSESSMENT

- This new (draft) PAS has been produced to facilitate the ESOS changes. It specifies requirements for the process of conducting an energy and net zero assessment, as well as the output of such an assessment
 - It is intended for energy assessors, consultants and service providers, as well as ESOS Assessors, to enable suitable ESOS Assessments which cover both energy and net zero
 - It provides a consistent way for ESOS Assessors to undertake the Assessments and also specifies their competency needs to conduct and / or sign-off on all ESOS Assessments
 - It comes in two parts:
 - PAS 51215-1, Energy and net zero assessment – Process – Specification
 - PAS 51215-2, Energy and net zero assessment – Competencies of lead assessors and assessment teams – Specification
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PAS 51215: ENERGY AND NET ZERO ASSESSMENT

Key information in PAS 51215:

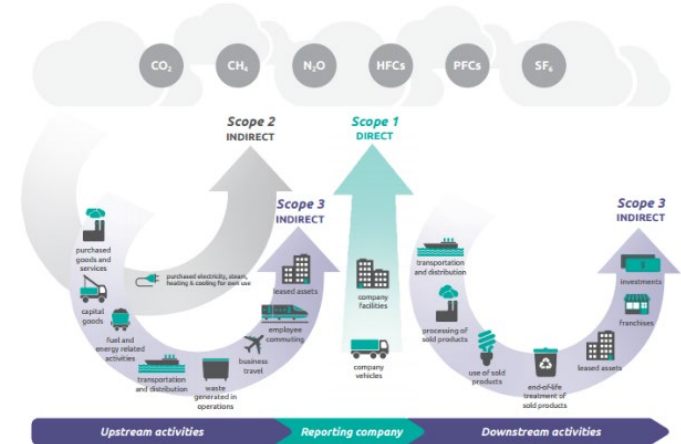
1. The ESOS Assessment will need to take the approach of comparing current energy consumption and GHG emissions with the state of net zero by 2050, and planning objectives to achieve that, potentially using Science Based Targets, and including interim reporting
2. It must account for:
 - a. All Scope 1 and Scope 2 GHG emissions within control or influence
 - b. Limited Scope 3 GHG emissions (business travel excluding employee commuting, and hotel stays due to business travel)

3.1.5.1 absolute zero

state in which no GHG emissions are attributable to an organization's activities, directly or indirectly, without the use of offsets or balancing of residual GHG emissions

3.1.5.2 net zero

state in which the GHG emissions into the atmosphere associated with an organization's activities it has control over are balanced by the GHG removals from the atmosphere

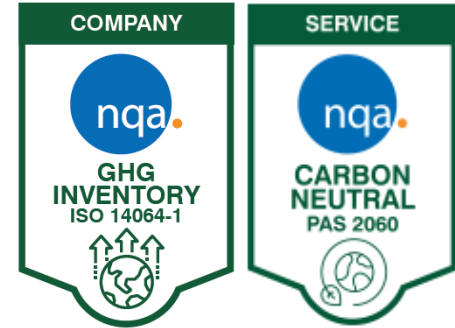


Key information in PAS 51215:

3. It requires a 12 month base year for comparison purposes, to allow improvement to be gauged
 4. It requires the risks around achieving net zero to be identified
 5. It provides tabular correspondence between ISO 50001 and PAS 51215, to enable ISO 50001 to continue to be a compliance route, whilst accounting for the additional net zero requirement
 6. It provides an example structure and contents for the ESOS Assessment Report
 7. It defines competency requirements for ESOS Assessors and Lead Assessors, including those for gaining and maintaining the status of a Lead Assessor
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HOW NQA CAN HELP

1. ISO 50001 Certification: remains a route to ESOS compliance
2. ISO 14064-1 Verification: a route to Verified carbon quantification and reporting
 - You may be experiencing regulatory or supply chain drivers to have your GHG Inventory independently Verified
3. PAS 2060 Verification: a route to Verified carbon neutrality
 - You may wish to offset your residual GHG emissions to become carbon neutral



<https://www.nqa.com/en-gb/sustainability>

THANK YOU
ANY QUESTIONS?

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