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Mandatory Carbon Reporting Webinar – Questions and Answers

The consultation period ended on 17 October. When is the consultation response expected?

Most people believe that the response will be imminent although it may be delayed until early 2013.

The Mandatory Carbon Reporting draft regulation is relatively straightforward with not too much to comment on but there are some key points including the actual start date for the scheme.

Can you just talk us through the methodology again?

The regulation is unlikely to specify rules or guidance to follow but instead allow companies to choose the methodology and framework or standard they use. Important to note is that the methodology or standard used must be disclosed in the Director's Report?

The DEFRA document "Guidance on How to Measure and Report your Greenhouse Gas Emissions" is adequate for the task although it does not have international appeal.

Alternative methodologies which are recognised internationally are ISO14064-1 "Green House Gases – Specification with Guidance at the Organisational Level for Quantification and Reporting of Green House Gas Emissions and Removals"and The "Green House Gas Protocol – Corporate Accounting and Reporting Standard" from the WRI/WBCSD.

These two standards tend to be favoured as they are recognised across the world and are sometimes a requirement for other mandatory schemes.

This is new to us, where do I start?

A good short question but, potentially, a long answer!. The first question is to decide whether to do it yourself or hire a consultant.

The starting point is to look at your operations globally and match your organisation boundary with that of your financial report.

Then, for each part of the company drill down into the specifics - Scope 1 & Scope 2.

From there on, it's a case of gathering data and performing calculations.

CICS can perform a gap analysis or "pre-verification" service at any point in the process. This helps to flag any errors and omissions before you go too far down a blind alley.

Does a company have to report on an operational control basis?

A company can choose to define its boundaries as either financial or operational control (or on an equity share basis under financial control).

The key thing here is that it must be the same approach as that used in the financial report. This choice of reporting will be established in the company annual report and will likely have been used over the last several years.

Why is the UK the first country to make emissions data compulsory?

The UK is committed to reducing its carbon emissions from the 1990 baseline by 50% by 2025 so introducing mandatory carbon reporting, and potentially extending this to all large companies in future, will help to facilitate this reduction.

Energy security in the UK is a growing concern and this measure, as well as existing ones such as EU Emissions Trading Scheme and Carbon Reduction Commitment Energy Efficiency Scheme, help to reduce the UK's demand for energy, which, in turn, reduces carbon emissions and energy bills.

Areas with the potential to reduce energy cost can be identified through the carbon emissions data.

Can the other 5 Green House Gases be ignored in the first year of reporting?

No, all six Green House Gases need to be reported if they are part of the scope.

Greenhouse gases are defined in section 92 of the Climate Change Act 2008 .

There is no requirement to report them separately. These should be reported as CO_2 equivalents.

It is worth noting that Nitrogen Trifluoride, used in the electronics industry as an etchant, is a possible 7th Green House Gas which may require reporting in future years when Mandatory Carbon Reporting is required for all large businesses.

Has CICS reported its carbon emissions?

We haven't reported them but we've measured them because we're asked for the information as an environmental auditor.

The carbon footprint of CICS Head Office in the UK is relatively straightforward because we are a service provider rather than a manufacturer. The figure for 2011 was 120 t CO_2e which is typical of a service provider such as ourselves.

This figure includes office, car business miles, flights and trains. The Head Office figure was based on a m^2 ownership for gas and electric. To calculate the conversion, factors were based on DEFRA's conversion rates for 2011.

The figure is also based on ISO 14064 requirements for carbon footprint reporting.

I've come across companies who put their carbon emissions at the bottom of their emails and on websites - where else can I put the emission figures?

Putting numbers into context that the general public can understand is a good tool for marketing purposes and for demonstrating year-on-year changes.

Typically this data is used in sustainability reports and environmental reports, and on websites and product packaging. On some occasions, it is also used on company vehicles.

Carbon numbers are often a requirement when contracting as a supplier and getting onto procurement lists.

What organisational boundary must a company use?

There is no detailed guidance on this as yet and nor is there likely to be. The organisational boundary is to be defined by the company itself. It is likely to be based on financial/operational control or on an equity share approach. *The key proviso here is that it must be consistent with the financial report.*

I'm concerned about publicly declaring our company's emissions as they may be compared with competitors'. Shouldn't carbon numbers be made private?

Since the Director's Report is a public document, this information, along with other components included, cannot be prevented from becoming public and open to competitor scrutiny.

The good news is that the numbers are aggregated across the whole company which should make specifics for certain factory sites difficult to calculate.

However, the intensity ratio could be revealing and that's why companies need to make a careful choice.

Exposure to public scrutiny means that it is important to ensure that the data is accurate and can be backed up, if challenged.

Where exactly must the emissions be reported? In the sustainability section of the annual report?

In a short answer, “No”.

Annual reports come in all shapes and sizes and are often split up by market segment, capability, geographic region, etc. However, the emissions numbers must specifically go in the director’s report section of the annual report, regardless of whether they appear elsewhere in the annual report.

The exact words of the draft regulation are that Eemissions are to be reported in the director’s report of the Annual Report and Accounts.

Is ISO 50001 an approved standard for MCR?

No. ISO50001 is a management system standard which formalises an approach to energy management, not a Greenhouse Gas inventory methodology.

Of course there is some overlap between MCR, ISO 50001 and carbon footprinting in terms of fuel consumption generating both energy and carbon emissions, but the standards have a completely different purpose. The recommended MCR standards give detailed methodogies in terms of scope and calculations.

Can CF data be extrapolated for the remaining 10% of the business?

To answer this more fully I would need to know exactly what is meant by the “remaining 10% of the business”

One possible scenario is that 90% of the data is of a high quality and is fully backed up by actual evidence (e.g. invoices, meter reads, purchase invoices etc). The remaining 10% (for example in an overseas location in a poorly administered country) is not as robust or may be missing. Similarly, for some parts of the organisation there may be a full set of primary data available whereas for other parts there is only secondary data which is not as robust.

It is acceptable to make assumptions about missing or erroneous data, for example by extrapolation of similar operation or comparison with similar periods but the assumptions and the methodology for determining them must be transparent and disclosed in the directors report.

During the first year of reporting under MCR it will be a learning curve so it should be acceptable to report data as accurately as possible but where further improvements can be made, to document what these are and when they will be implemented.

The reported numbers will be public and open to scrutiny by interested parties including NGOs so it is imperative that reporters are transparent about their methodology.

Is waste shipped off site part of the company footprint or does this belong to the waste treatment company?

This is a classic case of potential overlap of a carbon footprint. One organisation's scope 1 and scope 2 emissions may be embedded into a product and could become the scope 3 supply chain emissions of the next organisation in the chain.

Waste is an interesting area and the embedded emissions associated with, say, paper use, are technically a scope 3 item and can be excluded, as only scope 1 and scope 2 emissions need to be reported.

However, for many operations waste is more than this and is a feature of the manufacturing process under operational control, and involves both scope 1 and scope 2 emissions. In this case, a prudent approach would be for the first organisation to include it as part of their footprint to the factory gate and for the waste company to take ownership of associated emissions from thereon.

So, in summary, let's exclude embedded emissions - each party takes their share of the scope 1 and 2 emissions associated with handling the waste at their stage.

We are subsidiary of a global company but the parent company will not be on the LSE so are we correct in assuming reporting limited to the UK company only?

The draft regulations state that you must be registered or incorporated in the UK and have a listing on an international exchange. It sounds as though it is only the UK part of the company that will need to report. If your Director's Report scope covers certain sites, then these sites will be required to report. For 'grey areas' like this you will need to question the DEFRA help desk once this is set up.

You said this only applies to stock exchange listed large businesses. Are there plans to widen this further?

Yes, initially there will be approximately 1,100 companies and in 2015 there is a scheduled review as to whether to extend this to all large companies; this would affect approximately 2,500 companies.

I have clients who are registered overseas but are listed on the LSE. However, they have subsidiaries registered in the UK, which are not listed on LSE in their own right. Will these companies need to report?

Again, for 'grey areas' like this you will need to question the DEFRA help desk once this is set up. The draft regulations state that you must be registrered or incorporated in the UK and have a listing on an international exchange. Taking the draft regulations at face value, it would appear that these companies may not "tick both boxes";it would be interesting, however, to examine the directors' reports for these companies to check exactly what the financial control covers.

If we are reporting to CCA and EU ETS, how and when do we report this?

Your CCA and EUETS numbers are reported separately to the relevant authority (DECC and the Environment Agencies) under separate schemes and separate deadlines.

Rather than recalculating the whole scope 1 and scope 2 footprint you then have the option of using these verified numbers which you can then use in your Director's Report.

At the time of publishing this document (14th December 2012), Mandatory Carbon Reporting was awaiting the consultation response and the requirements were under negotiation. CICS answers, therefore, are correct at the time of publishing and we accept no liability or responsibility for actions taken from reading this information.