

IEMA Consultation Response – 28/09/2021

Strengthening the Energy Savings Opportunity Scheme (ESOS)

About this consultation

The consultation seeks views on the government’s proposal to improve and strengthen the Energy Savings Opportunity Scheme (ESOS) and increase the uptake of energy efficiency measures by participating businesses. ESOS is one of the major existing policies that seeks to improve business energy efficiency through providing participating businesses with trusted, high-quality information about potential energy savings they can make. Acting on these energy efficiency recommendations provides participating businesses with the opportunity to reduce energy consumption and costs, as well as contribute to the UK’s net zero commitment through reducing emissions.

About IEMA

IEMA is the professional body for those people working in environmental management and in corporate sustainability roles. IEMA’s growing membership of over 17,000 professionals work at the interface between organisations, the environment and society in a range of critical roles (for example from Sustainability Directors through to Climate Change leads and in consultancy and advisory roles). We also work with a range of corporate partners (over 200). Our professional members are active across all sectors in the UK, for example from construction and manufacturing through to logistics, facilities, and across financial, retail, food, consultancy and the wider service and public sector.

The following responses are compiled by IEMA, drawing on policy and engagement work and the professional practice experience of IEMA members. This includes from survey information, a workshop with BEIS presentation, IEMA position statements¹ and IEMA’s publications². A small number of questions are not answered, mainly because they were not fully addressed in time available. The consultation as a whole is significantly of interest to IEMA members and IEMA is very willing to continue further engagement with BEIS to test the practice considerations of ESOS development proposals (IEMA members engage with ESOS from multiple directions and disciplines and IEMA has a large professional topic network specifically focussed on Energy and Climate Change).

IEMA responses to the ESOS consultation questions

1. What is a fair and proportionate way of dealing with the small number of ESOS site audits which may have already been carried out under the existing audit requirements if we make subsequent changes to the Phase 3 compliance requirements?

No answer

¹ IEMA’s declaration of a Climate and Environmental Emergency - [IEMA - Climate and environmental emergency](#)

² Pathways to Net-Zero – Using the IEMA GHG Management Hierarchy, November 2020
<https://www.iema.net/document-download/51806>

2. Do you agree with the general principle of making ESOS reporting more standardised, as set out above? Are there any aspects of this proposal you have concerns with?

IEMA agrees that it would not be reasonable or proportionate to require a reporting template for the full ESOS assessment, due to the range of different types and sizes of organisation complying with ESOS, and the fact that the ability to tailor the audit to an organisation's requirements is one of the scheme's strengths. Although a single template is not recommended, some standardised details should be captured in all ESOS reports, and generally we agree with the listed aspects under 'standardisation of reporting' on page 19 of the consultation document.

3. Do you agree with a change to the de minimis exemption to up to 5% of total energy?

The changes proposed make sense to avoid unintended outcomes. We note that under the 10% de minimis rules, there may be whole sites excluded or organisations which never audit their transport energy use. The de minimis exclusion should be designed to allow participants to exclude very small supplies where the administrative burden of auditing and reporting would be higher than the potential energy savings to be found.

Recognising that most (ESOS compliant) organisations will now have a good characterisation of their portfolio from previous phases, we believe it is right to consider parts of the significant energy consumption that may not have been looked at in previous phases. We agree with the principle to reduce the de minimis to 5%.

One important consideration is the current exemptions for temporary energy uses such as construction,³ as there will be little point in undertaking full scale energy audits on very short term projects. The focus here should continue to be on processes, procurement and equipment and how these can be improved for future projects. Some other sectors will face similar challenges such as the events industry.

4. Do you agree an energy consumption threshold should be added for individual group, sites, process or fuel types? Is 40MWh appropriate or is there a more appropriate threshold?

We agree that this could avoid the situation where (for example) large sites or fleets are being excluded because of the size of the organisation they belong to. We do not have the evidence to propose the specific level, but support this approach and are aware that the UK ETS has such a mechanism associated with its minor/de minimis determinations. We suggest that a review of ESOS audits could be informative in helping to determine the level.

³ With reference to 3.6.5 Construction activities - [Comply with the Energy Savings Opportunity Scheme \(ESOS\)](https://www.gov.uk/guidance/comply-with-the-energy-savings-opportunity-scheme-esos) - GOV.UK (www.gov.uk).

5. Do you agree with the site sampling methodology proposed above?

IEMA agrees with the methodology considerations outlined (pp21-22) and their rationale. We also agree that there should be an explicit consideration for situations where multiple sites are very similar. This however should not lead to sites never being audited, but a proportionate approach is reasonable. Operators are legally responsible for data provision and this should be a requirement at start of work. A comply or explain obligation should be in place, with the auditor required to comment on whether the justification is reasonable.

The proposal to require all sites (except those covered by the de minimis exemption) to have been audited within a set period is supported. We agree this could be over alternate ESOS phases and would avoid a significant proportion of an organisation's energy consumption never being audited. A maximum time should be set for this (e.g. 2-3 phases).

6. Do you agree that ESOS reports should include an analysis of half hourly data where this data is readily available? What steps could Government take to support this?

No specific response.

7. Do you agree with the proposal to require that ESOS reports use an existing auditing standard such as ISO 50002 or EN 16247?

There is a case for requiring that ESOS audits follow an existing standard such as ISO 50002 or EN 16247 (and we also note positively the suggested checklist). IEMA supports the proposal for better guidance on where Life-Cycle Analysis is a more appropriate alternative to simple payback period calculations. The proposals for a payback calculator are also positively received.

8. Do you agree with the proposals set out here to improve the information provided to participants on ESOS recommendations and how they are performing against an energy intensity metric?

We support the main proposals to improve information provided to participants on recommendations. The principle to support comparison between ESOS phases based on an energy intensity metric is positive. There can be situations where organisations will usefully compare the current performance of similar sites. Significant value is likely to be in assessing performance year on year, and to assist in prioritising actions.

9. Do you agree there should be an explicit focus on rating and improving energy management processes within ESOS?

We support the principles and considerations on page 25, of extending ESOS into energy management and also (related) aspects of behaviour change.

10. Do you agree with the proposal to remove Display Energy Certificates and Green Deal Assessments as compliance routes for ESOS?

No specific comment

Chapter 2

11. Do you agree with the proposal to improve the processes to ensure ESOS assessors are appropriately trained and monitored and are there other issues that we should address in improving the ESOS process that relate to assessors?

We support the basic premise and the proposals regarding training and monitoring (pp 27-29).

Specifically, we agree and note that currently, only the ESOS lead assessor who reviews and signs off the ESOS report is required to be certified. However, the specific site audit and related report writing may have been carried out by other staff, currently not required to have any qualification or detailed knowledge of ESOS requirements.

Consideration should be given to confirming two categories of auditor with differing skill sets and with the lead assessor with the overview and with technical assessors contributing. Such clarification, along with some of the proposals for CPD and training would better ensure effective reports and audit outcomes. This consideration is not to prevent ESOS lead assessors from undertaking technical audits where they hold the specific technical competence, but is to help clarify and distinguish the two roles. A potential conflict of interest in the current scheme can be addressed by splitting the role of the technical energy auditors to deliver specific audits within their areas of technical competence (such as heating, transport, behaviour etc), and the role of the lead assessor in examining the process of planning and delivering the programme of audits, and evaluating their outcomes and recommendations in order to confirm compliance with the rules.

More clearly distinguishing the two roles could help the potential scaling up of the scheme which currently is limited by the requirement for assessors to effectively hold the entire range of audit technical competencies plus the assessor compliance competence. It is accepted however, that without greater capacity building investment, strict separation of role could in some cases reduce businesses ability to complete audits and increase business burden.

IEMA would be interested to explore this issue more fully, to help understand the issues in practice and to help inform developing proposals.

12. Do you agree with the proposals set out here to encourage organisations to engage an ESOS assessor with appropriate skills and experience?

The proposals set out on page 29 of the consultation document are suitable.

13. Do you think that we should make changes to the scheme to change the Qualification date or stagger phases for different sectors, or will the softer measures set out be sufficient to encourage more participants to comply earlier than the final compliance year?

We believe it is unlikely that the ‘softer measures’ will be sufficient and therefore current practice, with associated bottlenecks would likely continue. Staggering between phases looks like an effective option. We do not see the (energy management) need for this to be by SIC code and such an approach may continue to see excessive demand on technical specialist auditors. Alternative segmentations are valid and this could be either random or based on other factors (e.g. eligibility dates).

14. Do you agree with the proposals to provide an ESOS recommendations template to improve the presentation of ESOS recommendations and the information provided on next steps?

This is a positive proposal. No further specific comments

15. Do you agree with the suggestions to provide better guidance on next steps in order to encourage uptake of recommendations and the requirement to share the ESOS report with subsidiaries?

This is a positive proposal. No further specific comment.

Chapter 3

16. Do you agree that ESOS should include an assessment of actions needed to meet future net zero commitments, as set out here? If a net zero element is included as set out above how might this impact the cost of an ESOS audit?

We support the overall proposal and note that this is a logical evolution of ESOS (i.e. that the complying organisations have had a period of specific savings focussed energy audits and now need to look longer term). We note that short term cost saving actions recommended through the current ESOS scheme can sometimes conflict with longer term investments that will be required to get businesses on a trajectory to meet UK net zero targets. These include investment in zero carbon technologies, electric vehicles and clean heat.

IEMA outlines principles and considerations for pursuing net zero in the 2020 publication Pathways to Net Zero .⁴ A core element is the use of the GHG management hierarchy. The focus for an ESOS net zero enhancement, will logically be on the upper hierarchy activities of Eliminating, Reducing and Substituting emissions. This would be a suitable hierarchy approach focus for ESOS and it is suggested that Compensation / Offsets need not be included (not least because of the differing skills and knowledge for assessors and availability of 'good quality' offset credits). In that regard and for clarity, we would comment that the reference to ‘carbon neutrality’ on page 38 should be amended and should read simply as ‘net-zero’.

⁴ Pathways to net zero – using the IEMA GHG Management Hierarchy (2020) <https://www.iema.net/document-download/51806>

One concern relates to the variable understanding and reporting of GHG emissions (in particular, the formative and developmental area of scope 3 emissions). Difficulties can arise with the extent of reporting on various Scope 3 elements (e.g. purchased products) and reliable data can be challenging. We support the proposals focus which are targeted primarily towards more direct emissions and appropriate Scope 3.

17. Do you agree that this should include impacts on the electricity system as well as direct carbon/greenhouse gas emissions?

This is supported but with some caution. The assessment could certainly help and identify the potential for investment in renewable electricity, as well as the potential for load shifting of electricity use to off-peak times and for investing in smart technologies and storage solutions that facilitate this. We are cautious of too simplistic purchasing / supply of electricity based on poorly substantiated GHG attributes (for example, simple uptake of unbundled REGOs).

We support the direction and also note the relevant report in December 2020 by the Climate Change Committee.⁵

18. Do you think that the net zero element to ESOS should be included within the existing report structure or added as a separate reporting element?

On balance we would suggest a separate reporting element as the context and the assessment basis differs. However, we would advocate an approach whereby the current ESOS findings / recommendations are also highlighted for their GHG savings contribution. There would be merit therefore in a single report, ensuring this additional GHG coverage (alongside energy) and with a net-zero annex that pulls through the net-zero medium and longer term recommendations.

19. Do you agree that government should set out a methodology for companies to include other net zero and climate aspects including adaptation in their audit if they wish to?

Net zero would be a logical enhancement but adaptation and resilience may be a step too far for ESOS (although these related challenges of course warrant support). We do not see this as easy to incorporate and the skill set for assessors may be too different. Such an extension in role could also add further risk of additional conflicts of interest as auditors are drawn into (in effect) consultancy and advice. However, any future broadening of the topic coverage would further support the argument that roles of technical auditors and compliance assessors should be split.

⁵ Corporate Procurement of Renewable Energy – implications and considerations (2020)
<https://www.theccc.org.uk/publication/corporate-procurement-of-renewable-energy-implications-and-considerations/>

Chapter 4

20. Do you agree with the proposal to require participants to set a target or action plan and report on progress annually?

Yes this is supported and could be integrated into SECR narrative reporting.

21. Do you agree that additional ESOS data should be collected for the purpose of compliance monitoring and enforcement?

No comment on this proposal.

22. Do you agree with the proposal to require public disclosure of ESOS data as outlined above?

We would favour a single disclosure approach such as SECR and this could be enhanced to include energy (ESOS) data.

23. Do you agree that the qualification criteria for ESOS and SECR should be aligned as set out above?

We support the intent to align the qualification criteria between ESOS and SECR.

Chapter 5

24. Do you agree in principle that ESOS should be extended to smaller enterprises (either to all Medium-Sized Enterprises, or to a subset of Medium-Sized Enterprises)? Are there any concerns or risks with this approach?

Extending ESOS to Medium-Sized Enterprises (MEs) is supported, if introduced with additional support and investigation of a threshold requirement. In terms of risks, careful consideration is required concerning the larger demand for ESOS assessors. The current market would not be able to meet the demand, and this would exacerbate the current 4-yearly distortion of the energy assessor market created by ESOS compliance cycles (discussed in Chapter 2). Phasing in new entrants to ESOS on an alternate compliance cycle (commencing mid-way in the current cycle) would help to spread this risk.

We note that the BEIS ESOS evaluation research identified that office-based organisations that were close to the 250-employee threshold for large businesses (or below this but participating on the basis of high turnover) were among those least likely to demonstrate an early impact from ESOS. This may be because these organisations had both low energy consumption and limited control over their ability to install energy efficiency measures due to lease terms. Consequently, we do agree that office-based MEs and/or those with low energy consumption are likely to benefit less from ESOS than others. We therefore support the consideration of limiting the extension to those MEs most likely to benefit from ESOS.

25. Is a lack of information on opportunities for energy efficiency a significant barrier to action for Medium-Sized Enterprises?

For MEs, we believe that the lack of information is one barrier, but also that the situation for decision making is complex. Other barriers include the lack of skills and knowledge and also the lack of decision-making time and capacity within the business. In this regard, we would support consideration of complementary measures alongside a new requirement, such as support for skills and training and incentives for making new investments in energy and carbon transition measures.

26. To what extent do Medium-Sized Enterprises already have a system or approach in place to monitor and improve their energy efficiency? (This could include energy managers or consultants, smart meters, audits, sector benchmarking, or energy management systems like ISO50001)

Although few MEs are likely to use ISO50001, many will have a management system or management system standard in place (such as either ISO14001 or ISO 9001). All ISO management system standards are now utilising a common framework which can be enhanced and used for energy management and for addressing climate change issues (including net-zero). Further information is available in ISO guide 84, Guidelines for addressing Climate Change in Standards.⁶

27. How could ESOS audits add value in improving energy efficiency in these organisations (Medium-Sized Enterprises or a subset of Medium-Sized Enterprises) – beyond what is already being done? How might the effectiveness of these audits differ between buildings and industrial processes? How will the value added by ESOS proposals differ for different sub-sectors of business (e.g. services, and energy-intensive vs non energy intensive industry)?

The understanding is that for MEs, scope will certainly exist for ESOS audits to add value and help enterprises to identify their own opportunities for energy efficiency and cost savings. Without a mandated review requirement (such as ESOS) it is unlikely that busy businesses will prioritise the process to find these savings. This is well understood and government has carried out significant assessment and review of these drivers and barriers to decision making (not least within the original work to establish the ESOS requirement).

It is the case that some sub-sectors will benefit less than others (see earlier comments and examples regarding office-based organisations). If ESOS is broadened to include net-zero and longer-term carbon transition considerations, then these examples could find greater value in ESOS audits. Although there will be exceptions, the majority of MEs are likely to find value in terms of potential savings via ESOS audits.

⁶ [ISO Guide 84 - Guidelines for addressing Climate Change in Standards](#)

28.If including a consumption threshold for including Medium-Sized Enterprises in ESOS, how might it best be set?

We note the rationale for a threshold and also note the complexity outlined in determining this. A potential approach might be to look at current electricity and gas use combined with transport fleets (where applicable). We do agree in the principle of trying to identify a threshold and further work on this is required.

29.Of the three approaches to extending ESOS set out in this consultation (extending to all Medium-Sized Enterprises, extending to high-consuming Medium-Sized Enterprises using a consumption threshold and extending to industrial Medium-Sized Enterprises only), which do you think would be the most appropriate?

The option of Medium-Sized Enterprises using a consumption threshold, appears to be the option that balances the highest relative potential for energy savings to additional business burden. Other Medium-Sized Enterprises should still continue to be encouraged to engage in energy management (voluntarily).

30.What alternatives might there be for improving energy efficiency specifically in industrial Medium-Sized Enterprises, other than extending ESOS?

No response.

Chapter 6

31.Do you think that we should pursue the option of mandating ESOS participants to take action? Are there pros, cons and/or risks not identified here?

Mandating ESOS actions would be appropriate for consideration within an enhanced ESOS scheme. However, if aligned with SECR, an alternative consideration would be the mandating of an overall carbon (GHG) reduction over time. This could allow flexibility for the participant in reaching the outcome (and in the process would lead to increased uptake in ESOS recommendations). It is possible that the scheme could allow either approach for compliance (i.e. mandating evidence for measures implemented or for demonstration of a broader overall reduction via SECR).

Such a mandate for action could also be made on a comply or explain basis such that the entity must explain why it reasonably cannot take action on recommendations made.

32. Which approach would be most appropriate of those set out here (requiring uptake of all recommendations that meet a payback period criteria, a requirement for ongoing reductions in energy use and/or a requirement to take action on energy management practices)?

All options can and should be further considered in order to identify the preferred approach. IEMA will be happy to engage further to help test proposals with key professionals in practice.

33. Do you think we should pursue alternatives to regulation to increase take up of ESOS recommendations and are there further options not discussed here?

Rather than ‘alternatives’ to regulation, we would suggest that there are complementary measures that can support regulation in achieving good outcomes. In this particular field, professionals have identified the possible value (impact) of an interest-free loan scheme, similar to the previously offered Carbon Trust loans, and where the organisation pays the loan back from the savings made. If the ESOS scheme moves down to MEs, there will be many who are willing to make improvements identified that require upfront investment but are unable/unwilling to take on a commercial loan. For improvements to building fabric, linking the loan to the property rather than the occupant, and potentially requiring landlords to participate (perhaps on a comply or explain basis) could open up improvements currently ignored (i.e. because the payback period is too long compared to the remaining time on the lease).

34. Do you agree with the suggestions to encourage the uptake of ISO 50001 as a compliance route? Are there further ways in which we might encourage uptake

Yes, ISO 50001 is appropriate as is ISO14001, especially with its broader coverage into GHG emissions (i.e. for net-zero). These standards offer a basis for energy efficiency and carbon reduction as alternative compliance routes that MEs may find suitable and which in the case of ISO 14001 can offer wider benefits such as identifying climate change adaptation opportunities (as mentioned in the consultation Chapter 3 Q 19).

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