SECR: Streamlined Energy and Carbon Reporting
Briefing for data centres
March 2020

1 Introduction

The Streamlined Energy and Carbon Reporting (SECR) legislation is a new reporting scheme for large incorporated companies that file annual reports with Companies House. SECR has been introduced to replace the reporting requirement element of the Carbon Reduction Commitment (CRC) which ended in March 2019.

The SECR scheme applies to financial years starting after 1st April 2019. This briefing covers:

• How to determine if a company is captured by SECR.
• How to comply with the new regulations:
  • What information has to be reported.
  • How to report.
• FAQs and examples applicable to the data centre sector.

There are no exemptions from SECR; if a company qualifies then it must report all applicable energy even if it is covered by other schemes (such as Climate Change Agreements (CCAs), EU Emissions Trading Scheme (EUETS) or the Energy Savings Opportunity Scheme (ESOS)).

2 How to determine if a company is captured by SECR.

SECR applies to all large UK unquoted companies, defined as satisfying two or more of these criteria:

• Employ 250 or more people.
• Have an annual turnover in excess of £36m.
• Have an annual balance sheet total greater than £18m.

If a company meets at least two of the above criteria they will be captured by the new legislation and be required to include information on energy consumption and carbon emissions in their Annual Report lodged at Companies House.

SECR does not apply to quoted companies (i.e. listed on the stock exchange); since 2013 they have been required to publish Greenhouse Gas (GHG) data. These requirements remain but additional reporting requirements were introduced in new legislation brought in at the same time as SECR.

If a company is part of a larger organisation and reports are published at Group level, then the Group Annual Report must report all subsidiary companies that qualify for SECR. Subsidiary companies that do not qualify for SECR are not obliged to report their energy and carbon data but may choose to do so voluntarily.

Note that SECR is different from ESOS; in ESOS the whole group must comply if just one company in the group qualifies for ESOS. This is illustrated in the diagram overleaf.
3  How to comply with the new regulations.

Large unquoted companies (that meet the definition on page 1) will be required to report on financial years commencing on or after 1st April 2019.

For example, if a company’s financial year is based on the calendar year then the first Annual Report that must include information required under SECR would be the Annual Report covering January to December 2020.

Qualifying companies will need to include the following information within their published annual Director’s Report (lodged at Companies House), or included within the ‘Strategic Report’ if energy and carbon are deemed to be of strategic importance.

- Total UK energy use, as a minimum relating to; electricity, gas and transport (where fuel is purchased directly for business use, e.g. company vehicles (cars and jets) and mileage recharged to the business by employees).
- Total UK CO\textsubscript{2e} emissions split by Scope 1 and Scope 2.

Scope 1 emissions are classed as those that arise from fuel combusted by the company (e.g. fuel burnt on site or in company owned vehicles). Scope 2 emissions are classed as emissions that arise from the consumption of an energy source that another company generated (e.g. electricity or steam provided by a neighbour).

Scope 3 emissions are those emitted by 3rd parties but due to providing services or goods to the company. Reporting Scope 3 emissions within SECR is completely voluntarily. Common Scope 3 emissions reported by companies as part of their corporate GHG reporting often include disposal of waste, employee travel by train, taxi, air and employee commuting.
• A relevant and appropriate emissions intensity ratio (i.e. tonnes CO\(_2\)e per £ turnover, or tonnes CO\(_2\)e per unit of IT load – the metric is the choice of the company).

• Comparison with previous year’s consumption and emissions (not applicable for the first year reported).

• A statement relating to the principal energy efficiency measures implemented during the year (if not commercially sensitive).

• A statement on the methodology used to calculate the emissions (using the WRI GHG Protocol is the most common methodology used in conjunction with the carbon emissions factors published on the gov.uk website).

Note that energy and carbon data does not have to exactly cover the financial year but the statement on actions taken must relate to the financial year.

### Reporting of green electricity

The WRI GHG Protocol allows companies to reflect how the electricity supplied to their organisation was generated. There are two ways in which to report electricity:

**Location based**: electricity is generated in a country and it is converted into carbon emissions using that country’s national grid emission factor*.

**Market based**: the electricity is converted into carbon emissions using the carbon emission factors supplied by their energy provider. Hence if an organisation is supplied with 100% certified renewable/‘green’ electricity then it will have a carbon emission factor of zero.

All companies must report ‘location based’, reporting ‘market based’ is voluntary.

#### 4 Next steps

1. Identify which UK companies in your organisation are required to report under these regulations.
2. If you qualify, confirm your company’s annual reporting timescales so you know when the data needs to be collated and drafted in time for publishing.
3. Determine what needs to be reported by identifying what sources of energy and carbon need to be included.
4. Identify where consumption data is going to come from (e.g. invoices, meter reads, fuel receipts) and how it is going to be collated.
5. Put in place appropriate data capture procedures to collate the data and information about energy saving measures implemented.
6. Select an appropriate methodology (e.g. GHG Protocol) to calculate the CO\(_2\)e emissions.

**After the end of the financial year and prior to completion of the annual report:**

7. Calculate the total energy consumption and CO\(_2\)e emissions.
8. Prepare text and tables for inclusion in the annual report. A suggested format for the data has been provided in the Government’s guidance note (link overview).
5  FAQs for data centre companies

a)  **Q:** My overseas parent publishes an Annual Report, can we just publish the information there?

**A:** No, the information must be contained in the report submitted to Companies House (see [https://beta.companieshouse.gov.uk/](https://beta.companieshouse.gov.uk/)). It can also be reported in other reports if desired.

b)  **Q:** I have to report the energy consumed by the company, how do we treat the electricity sub-metered and charged to our customers?

**A:** This can be excluded from the data reported but it must be clearly explained in the description of the methodology used and the same approach should be maintained in future reporting. If a company considers that either (a) removing all the sub-metered ‘is not practical’ (i.e. it involves excessive administration), or (b) doing this produces results that are skewed or misleading, then it can report on total energy purchased which again should be explained in the methodology.

c)  **Q:** If an ‘OpCo’ and ‘PropCo’ run the same site, who does this apply to?

**A:** Firstly each company needs to identify if it qualifies (see page 1), then the energy to be reported needs to be identified; i.e. who is consuming the energy? In most cases this is likely to be the ‘OpCo’. This is the same approach as required under the Energy Savings Opportunity Scheme (ESOS) (but not the Carbon Reduction Commitment (CRC) where the purchaser of the energy was responsible).

d)  **Q:** Is there a materiality threshold?

**A:** No. There is a de-minimis threshold of 40,000 kWh; where a company’s total energy use is below this threshold then it does not have to report its data. If a company is above 40MWh, then it must report all sources (as per the first bullet on page 3 of this document). If any sources are ‘not practical to obtain’ then they can be excluded but the reason must be explained and an estimate of the impact, i.e. its materiality, must be provided. Good practice is that no more than 5% of emissions/energy use should be omitted.

e)  **Q:** How will this be enforced?

**A:** The Conduct Committee of the Financial Reporting Council will monitor compliance of company reports. If ‘relevant disclosures’ are not provided the committee can request a revised report. A late filing penalty regime will apply to accounts that omit SECR data.

f)  **Q:** How is the effectiveness of the SECR policy going to be assessed?

**A:** SECR was developed and brought in by the Department for Business Energy and Industrial Strategy. They will not police the compliance of companies with the Regulations, however, within 5 years of SECR being introduced they are required to evaluate the effectiveness of the policy. For the avoidance of doubt, the Environment Agency is not involved in this scheme.

g)  **Q:** Is this policy here to stay?

**A:** Yes, and its likely to expand its remit in the future. In the Government’s July 2019 Green Finance Strategy, the Government stated that they expect “all listed companies and large asset owners to be disclosing in line with the TCFD recommendations by 2022”. TCFD is the ‘Task force on Climate-related Financial Disclosures’ which is part of the Financial Stability Board. The TCFD recommends companies disclosing the risks and opportunities associated with climate change and how a company is managing those risks and opportunities. It is likely the Government will expand SECR in the future to require these extra disclosures.
Examples of how different data centre operators may report their data

- **Wholesale operators** – such companies typically lease whole data halls and their customers are involved in the decisions about the design and running of the supporting infrastructure (e.g. HVAC systems). Any electricity that is sub-metered for use in the customer’s own equipment can be excluded (see question b of the FAQs). If the remaining infrastructure on site is operated by the wholesale company then they are classed as consuming it and should report it.

- **Colocation operators** – such companies typically lease areas within their existing data halls. Any electricity that is sub-metered for use in the customer’s own equipment can be excluded (see question b of the FAQs).

- **Cloud operators** – such companies can lease areas within their existing data halls or can operate all equipment for their customers. Any electricity that is sub-metered for use in the customer’s own equipment can be excluded (see question b of the FAQs).

Further information:

Guidance issued by the Department for Business, Energy and Industrial Strategy (BEIS):

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