

Department for Environment Food & Rural Affairs
Climate Change Mitigation Team
Ergon House
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London,
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Submitted by email: Environmentalreporting&skills@defra.gsi.gov.uk

24 March 2014

Dear Sirs,

ICSA response to Defra consultation on Green House Gas (GHG) Reporting Guidelines – 2014 update

We welcome the opportunity to comment on the Department for Environment Food & Rural Affairs' (Defra) consultation on the GHG Reporting guidelines. The Institute of Chartered Secretaries and Administrators (ICSA) is the international professional body that qualifies Chartered Secretaries and, as such, our members are well placed to understand the concerns of Issuers with regards to GHG reporting.

In preparing our response we have consulted, amongst others, with members of the ICSA Company Secretaries Forum, which includes company secretaries from more than 30 large UK listed companies from the FTSE100 and FTSE250. However, the views expressed in this response are not necessarily those of any individual members of the ICSA Company Secretaries Forum nor of the companies they represent.

We support proposals that encourage the disclosure of open and transparent information as evidenced by the ICSA Excellence in Governance awards and our responses to the BIS Transparency and Trust and the FRC Company Filing requirements consultations. As with all reporting requirements, the desire for transparency should be proportionate and balanced and not create onerous reporting requirements upon companies.

We acknowledge that there are some strong arguments with regards to the treatment of purchases of renewable electricity, biogas and biomethane in company reports. Current requirements are misleading and act as a disincentive to companies wishing to purchasing a green tariff or similar.



We are also aware that some parties feel this argument is applicable to reporting requirements under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and that treatment should be identical under both regimes. While this appears to be attractive on first reading, there are a number of distinctive differences between CRC and mandated reporting worth noting:

- CRC covers UK subsidiaries only whereas mandatory reporting covers global operations;
- CRC only covers electricity and natural gas whereas mandatory reporting covers all direct greenhouse emissions and indirect emissions from purchased electricity; and
- CRC requires purchase of allowances for energy consumption (c £16/tonne carbon) whereas mandatory carbon reporting has no revenue raising component for the treasury associated with it.

For these reasons companies may not be in favour of extending CRC to their global operations, nor reducing their carbon reporting to their UK footprint only. We do not therefore feel it would be a suitable alternative proposal to join these into a single carbon reporting/tax regime.

Having consulted with members we would support the approach that is simple and not complex. Option 1 appears to be simpler, fairer and more transparent than Option 2. Many FTSE350 companies do not have access to carbon accountants who can derive different values for side by side reporting, nor is this desirable at the time constrained period between year-end reporting and public disclosure. Companies should be given credit for attempting to make the right choices and acting responsibly by purchasing renewable energy which should be viewed by the energy companies and government as a signal to invest in renewables. Companies should not feel penalized by incurring additional administration/ reporting burdens or costs for attempting to be 'green'. If the cost of achieving transparency is too high, companies will be more likely to take the simplest option and buy brown energy. It has been suggested that the complexity should rest with the energy sector for whom it is a core business.

We hope our comments are useful and if you would like to discuss any comment in more details, please contact me.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Swabey', with a stylized flourish at the end.

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