



Department  
of Energy &  
Climate Change

# Energy Savings Opportunity Scheme

Presentation to Energy Security Conference, 27 March 2014  
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# Overview of Energy Efficiency Directive

- Directive was published in the Official Journal, November 2012
- Transposition date for most requirements is 5 June 2014

## Article 8 of the Directive

- Energy Efficiency Audits for non-SMEs
- Includes buildings, transport and industrial processes
- Based on up-to-date data
- Produce cost-effective recommendations for energy efficiency savings



“[ESOS] should provide a net positive benefit to the UK of between £0.8bn and £3bn, with a central estimate of £1.9bn between 2015 and 2030.”

*ESOS consultation stage impact assessment*



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# Consultation process



# Consultation process

400

Met with over 400  
stakeholders

300

From over 300  
organisations

150

Received 150  
consultation responses

Dec '13 - Key policy  
decisions made

May '14 - Publish Govt  
Response & legislation

Jun '14 - Legislation  
comes in to force


Dec '14 - Scheme  
operational



# Consultation analysis

Sector	Number of responses
Charities, NGOs and agencies	8
Energy intensive industries	15
Green Economy	18
Hotel chains / hospitality	1
Light industry and manufacturing	13
Other primarily office based companies	16
Property / land management	6
Retail	8
Trade bodies	41
Transport	2
Universities and other bodies	5
Utilities	14
<b>Total</b>	<b>147</b>

Significant trade body response representing larger number of interested parties





“Cost-effective energy efficiency has the potential to deliver a triple win for businesses, the environment and the wider economy [...] ESOS can support businesses in realising their energy efficiency potential” – CBI



# Key messages from consultation

## Keep it simple, and understandable yet make it meaningful

- Respondents want the scheme to provide outputs that are relevant to each business
- Respondents want ESOS to add value and identify real measures that can be implemented

## Avoid duplication in existing regulation and requirements

- There a range of energy efficiency policies operating in the UK – ESOS needs to fit
- Take advantage of alternative routes to compliance – e.g. ISO50001

## Minimise costs

- Allow discretion on the number of site visits required within audits
- Using internal team members for their knowledge and skills
- Only having lead auditor requiring accreditation under the scheme – but need for whole audit team to be of sufficient quality to ensure that output is meaningful





# Energy Savings Opportunity Scheme – Emerging Thinking

**The policy proposals contained in these slides are still under-development and subject to further revision and ministerial approval.**



# Determining who is in scope of ESOS

- A single UK-wide scheme
- Notification of compliance once every four years
- Target highest UK-parent but allow disaggregation
- Early qualification date (1<sup>st</sup> January or 31<sup>st</sup> March 2015).
- Allow franchisees to 'opt in' to group reporting



Am I part of a group undertaking?

Does the group undertaking include in the UK one or more 'large enterprises'?

I am part of a large group enterprise

Do I employ 250 or more FTE?



I am a 'large enterprise'

Is my turnover more than €50m

AND

Is my annual balance sheet more than €43m



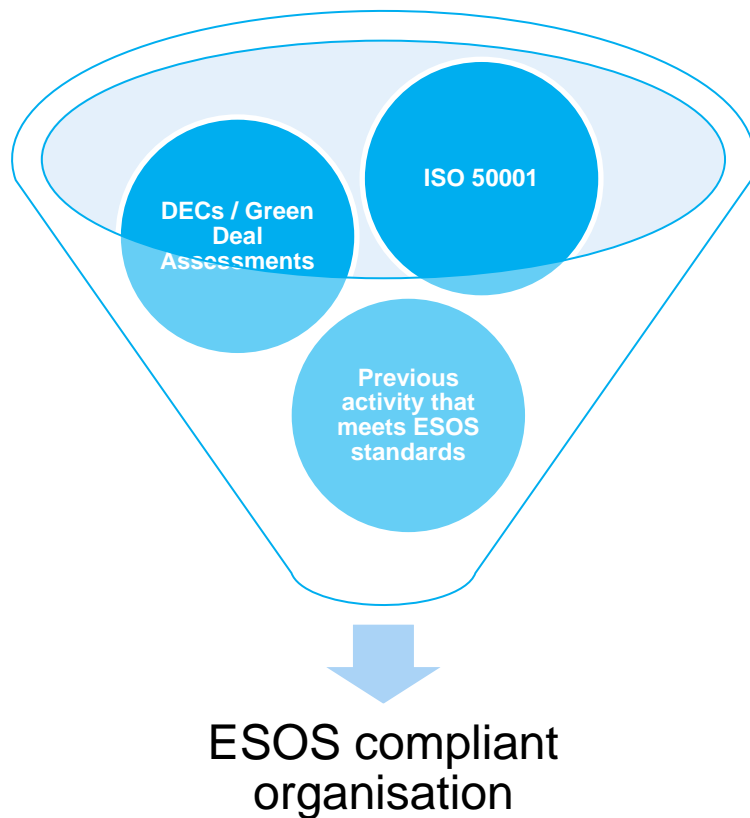
I am a 'large enterprise'



Organisations subject to the public contracts regulations 2006 are exempt from the scheme



# Routes to compliance



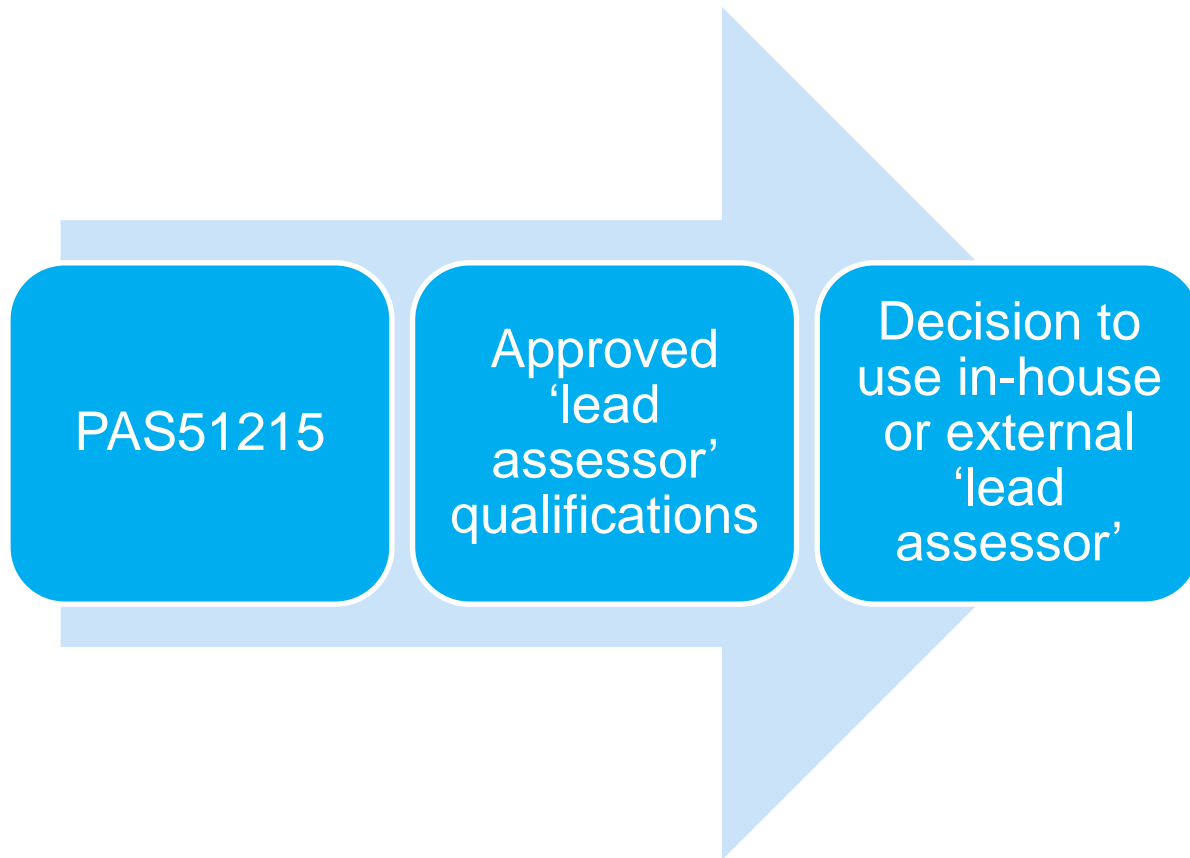
- ISO50001
- Display Energy Certificates
- Previous audits to ESOS standards

## And...

- **ESOS compliant energy assessments (either conducted in-house or by external assessor)**



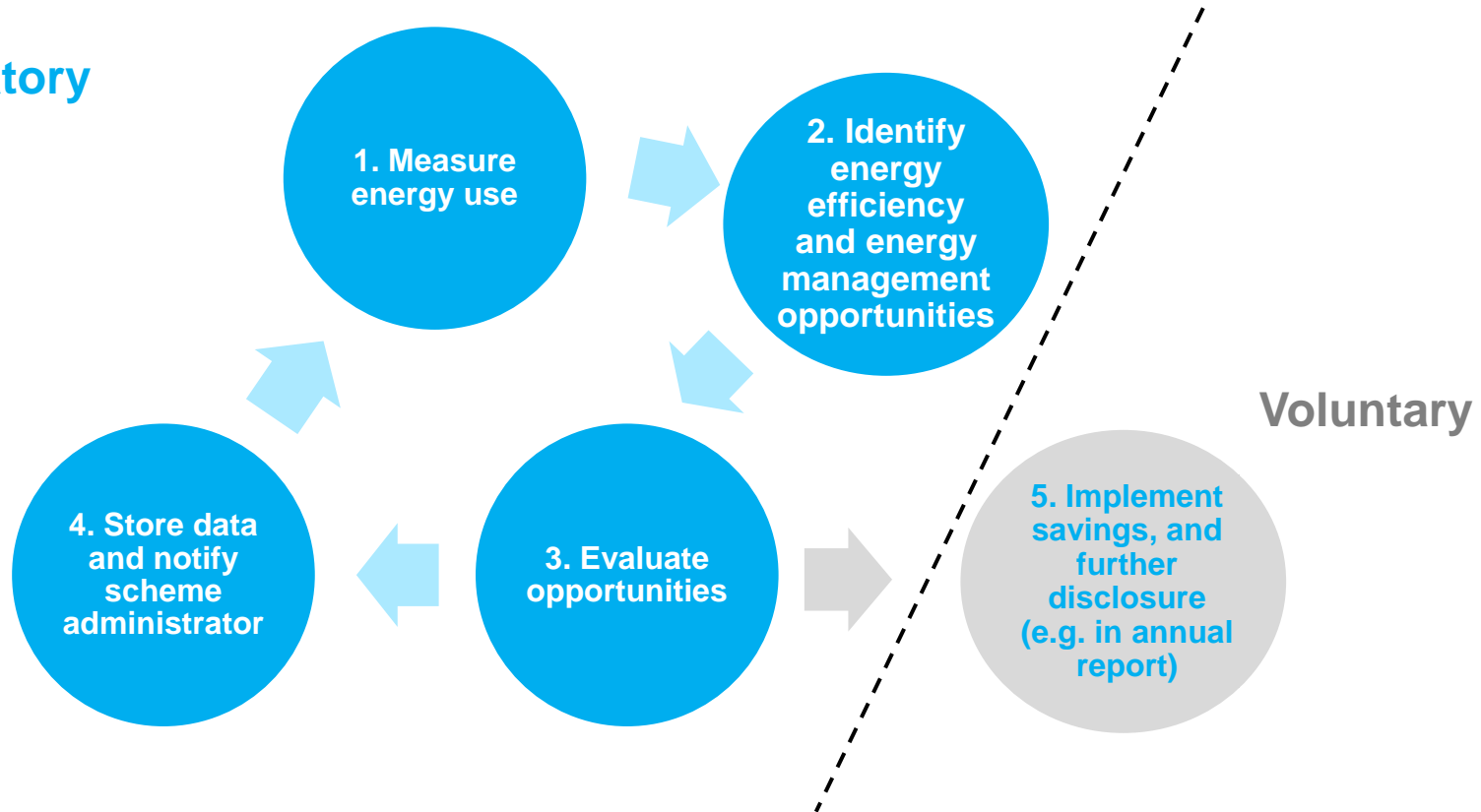
# Identifying an ESOS assessor





# Conducting an ESOS assessment

**Mandatory**





# General ESOS requirements

- A de minimis of 90% to be covered by ESOS assessments
- Flexibility to comply via a series of more tightly focussed assessments
- Allow energy assessment activity conducted within four years of December 2015 to count towards compliance
- Broad legislative framework supported by good practice guidance
- Discretion as to the number of site visits
- Ability to use energy spend *or* usage when measuring energy
- Use of 12-months data as default supported by comply or explain principle
- Mixed views on energy intensity ratio requirement



# Reporting and compliance

- Respondents favoured basic notification of compliance to scheme administrator, with voluntary disclosure of additional information.
- Strong support for assessment findings to be reviewed at Director level or equivalent.
- Strong support for Environment Agency to undertake role of scheme administrator.
- Support for civil penalties as ultimate backstop to non-compliance.





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# Questions?

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