

ESOS Newsletter

Issue 9 July 2022

Welcome to the Energy Savings Opportunity Scheme (ESOS) newsletter, keeping you updated with key information relating to the scheme.

Scheme administrator news

ESOS Strengthening

BEIS has published the Government Response to the consultation on strengthening the Energy Savings Opportunity Scheme (ESOS) which took place last year. The consultation proposed changes which will increase the energy and carbon savings made under the scheme and align it to the UK's net zero commitments. This is the link to the Gov.uk consultation response:

[Strengthening the Energy Savings Opportunity Scheme \(ESOS\) - GOV.UK](https://www.gov.uk/government/consultations/strengthening-the-energy-savings-opportunity-scheme-esos)
(www.gov.uk)

There was widespread support across stakeholders for the core proposals on strengthening the scheme. The Government Response sets out a summary of feedback received, and decisions made, following careful consideration of the significant number of responses.

On 19th July the Government announced its intention to include powers to make the necessary changes to ESOS in the Energy Bill via a Government amendment ([https://hansard.parliament.uk/lords/2022-07-19/debates/8F94D9C0-B93E-4A93-A5D2-F86908CA35FC/EnergyBill\(HL\)](https://hansard.parliament.uk/lords/2022-07-19/debates/8F94D9C0-B93E-4A93-A5D2-F86908CA35FC/EnergyBill(HL))). It intends, subject to the Parliamentary timetable and scrutiny of the necessary primary and secondary legislation, including seeking views from the Devolved Administrations, to bring regulations into force ahead of the 5 December 2023 compliance deadline, setting out the requirements which ESOS participants will need to comply with in Phase 3. The qualification criteria for Phase 3 will not change, but the thresholds are now set in GBP; and all businesses that are large (250+ employees OR turnover £44m+ and balance sheet £38m+ on 31 December 2022) or part of a corporate group containing at least one large business will be required to meet the new requirements. Core proposals that are not introduced in Phase 3 will be introduced in Phase 4.

The proposals to be adopted in Phase 3 on a mandatory basis are set out in the response to questions 2, 3, 8, 15, 20 and 21 in the Government Response and relate to:

- A standardised template for including compliance information in the ESOS report, generally comprising ESOS information the participant should already have available
- The reduction of the 10% de minimis exemption to up to 5%
- The addition of an energy intensity metric in ESOS reports
- Requirement to share ESOS reports with subsidiaries
- Requirement for ESOS reports to provide more information on next steps for implementing recommendations
- Requirement for participants to set a target or action plan following the Phase 3 compliance deadline, on which they will be required to report against for Phase 4
- Collection of additional data for compliance monitoring and enforcement

The Government and the Environment Agency will also work with ESOS Professional Bodies to identify which changes could be made to improve the quality of ESOS audits in Phase 3 through more active monitoring of ESOS lead assessors' work, as set out in the response to questions 11 and 12 of the Government Response.

The changes for Phase 3 will involve additional reporting to the scheme administrator (the Environment Agency) via the scheme portal, and other improvements in the quality of audits. They will generally not require re-visiting site level audits that meet the requirements under the current ESOS regulations. However, some organisations may be required to audit additional sites as a result of the reduced de-minimis. Given the TEC must include the qualification date it cannot be calculated until January 2023 at the earliest. Much of the information required to be disclosed should have been part of the evidence pack that showed how participants met the ESOS requirements. ESOS participants may implement the addition of a net zero element to ESOS audits in Phase 3 on a voluntary basis, and we are currently working with BSI on the production of a new net zero audit PAS standard to facilitate this. Participants can also implement other Phase 4 changes on a voluntary basis in Phase 3.

We will look to provide updated guidance on all the proposals, including more detail on new elements, as soon as we are able. ESOS participants should consider these new requirements when they appoint lead assessors for the purpose of reviewing or carrying out the ESOS assessment.

BEIS and the Environment Agency will continue to work with Professional Bodies, assessors and participants as we move towards the qualification and compliance deadlines.

We will communicate further detailed changes to the ESOS scheme as soon as we are able, via our newsletter.

If you have any queries in relation to BEIS' consultation, please email BEIS at businessenergyuse@beis.gov.uk



If you have any queries relating to ESOS or if there is anything specific you would like to see in future ESOS newsletters, please email esos@environment-agency.gov.uk or consult the [ESOS guidance](#).