

# Energy Saving Trust response to ‘Strengthening the Energy Savings Opportunity Scheme (ESOS): Consultation on options’

## Chapter 1

**Question 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?**

Yes we agree with the general principle of making ESOS reporting more standardised as long as the distinctive challenges of particular sectors or businesses can still be addressed in that framework. The worst outcome would be if a template becomes the standardised presentation of recommendations, completed by assessors with the minimal amount of information to ensure regulatory compliance.

The issue of standardisation of outputs was identified as a key area of improvement for energy audits as part of our work on the EU Leap4SME programme which is working to improve the quality and take up of energy efficiency auditing for SMEs. While the current ESOS programme targets larger businesses and a relatively small part of this consultation focuses on the possible inclusion of medium enterprises in the future we feel that the findings of the Leap4SME programme remain relevant for this consultation as they explore key areas identified here such as standardisation, quality of audits and auditor training and the potential to expand audits to cover wider sustainability concerns.

Standardisation is key for effective reporting and for giving confidence to the auditing and reporting process, making it more likely that the recommendations will be implemented. At a recent UK Green Building Council meeting to discuss this consultation there was broad agreement from almost all of the stakeholders in attendance that some degree of standardisation would be beneficial. It will be essential that assessors are highly trained and able to provide useful analysis and insight for businesses covered under ESOS.

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**Chapter 2**

**Question 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?**

Yes, we feel it is important for the success of the programme that assessors are appropriately trained and monitored so that businesses can have faith in the process and receive useful and actionable recommendations. When we overviewed the audit market as part of our work on of the SME energy audit-focused Leap4SME programme SMEs not being able to find an auditor with the right skills for their business premises was a recurring issue. Therefore, the need for robust assessor training has become a key recommendation of ours, featuring in a recent project report submitted alongside our submission to this consultation. It may be beneficial to consider training assessors on a sectoral basis so that they are able to give more bespoke advice and recommendations.

**Question 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?**

Yes we agree that providing a recommendations template would be beneficial. This was a key recommendation from our work on Leap4SME. Many stakeholders identified this as an easy win which would lend weight to the reporting and recommendation process, making recommendations more easily understood and therefore more likely to be actioned. The recommendations reports should: be free of jargon, contain useful data visualisation, suggest actionable recommendations that offer a route to further decarbonisation, contain assessments of the estimated costs, energy, and carbon savings achievable, be made readily available across organisations and delivered to decision makers. The Carbon Trust produce good examples of easily-readable energy audit recommendations from a predefined template. It will be crucial to invest appropriately in the creation of an recommendation templates so that the potential benefits of this approach can be realised.

**Chapter 3**

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**Question 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?**

Yes we agree that future ESOS assessments should include an assessment of actions needed to meet future net zero commitments. Many businesses are keen to become more sustainable and do their part to help reach net zero but don't know where to start<sup>1</sup>. Incorporating advice on decarbonisation into the ESOS recommendations is a sensible means of engaging with businesses. Including these elements could also lend weight to the ESOS process and drive greater engagement. It is likely that this would increase the cost of delivering ESOS assessments and some consideration would have to be given as to how best to incorporate these elements. Would existing assessors be trained on decarbonisation or would audits be undertaken by more than one assessor? The decarbonisation pathway for different businesses will differ greatly depending on their sector and so some consideration needs to be given to how these pathways will be assessed. We would also like to see any future net zero element being robust so that it is not enough for a business to install renewable energy on their premises and tick the 'net zero' box. The advice for this element should be holistic and bespoke.

**Question 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?**

We feel that any net zero element to ESOS, or any other wider sustainability reporting, should be included within the existing report structure.

**Question 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?**

Yes. Although some organisations would like to provide advice and recommendations on wider sustainability issues such as decarbonisation, water usage, improvements to biodiversity etc. this is not enabled under the current ESOS regime. It would be useful for the government to set out a defined methodology that would allow for these more holistic innovative audits to be undertaken if assessors and businesses wanted them to

<sup>1</sup> <https://www.britishchambers.org.uk/media/get/Net%20Zero%20Survey%20August%202021%20v3.pdf>

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be included. This trend towards more holistic audits is something that we have observed across Europe as part of our work on the Leap4SME programme. This approach does come with some challenges, for example, assessors should be suitably qualified to undertake net zero or sustainability audits. Training individual auditors in all these areas or using a number of auditors each come with their challenges.

We think that companies should be offered some inducement or incentive to undertake more in-depth and wide-ranging audits otherwise it seems unlikely that many will voluntarily opt for a more complex assessment apart from those businesses which are already highly engaged in sustainability. This framework could be set up as part of the methodology and could be as simple as published leader boards or some form of ESOS+ accreditation.

**Chapter 5**

**Question 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?**

Yes we agree that the ESOS should be expanded to smaller enterprises. Purely in terms of fairness there are several examples of MEs that consume more energy than larger enterprises currently mandated under ESOS. It is also our view that these changes could be phased in earlier than the proposed 2027 start date, especially if only a subset of MEs will be mandated. Given the need to decarbonise rapidly and several useful examples of similar schemes already in operation across Europe we believe that BEIS could move further faster.

There are risks involved in this approach, sufficient numbers of suitably qualified auditors will be required. This could be partially addressed by staggering audit years for individual businesses (not by sector) so that the assessment period is smoothed and an individual business has its own four-yearly assessment cycle similar to an annual vehicle MOT. Our work on the Leap4SME programme showed that the SME audit market is much less standardised than that for larger enterprises, making it difficult for SMEs to find well-trained and competent auditors and trust the quality of the audit reports. Extending ESOS to MEs, and providing sufficient funding to train an appropriate number of assessors, may help to address this issue of poor quality audits.

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The administrative burden on MEs must be minimised as much as possible with the process being simple to engage with and being viewed as beneficial for MEs rather than as another layer of bureaucracy. This can be achieved by making recommendations reports high quality and actionable with funding available to help MEs finance the recommended improvements.

We think it could also be beneficial to separate this ESOS scheme for MEs from the existing programme for larger businesses given their different profiles and capacities. This will make it easier to extend the scheme to offer energy efficiency audits to smaller enterprises in the future which we believe is a worthwhile consideration.

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

Yes, although access to finance is likely to be a more significant barrier for medium-sized enterprises a lack information on opportunities for energy efficiency improvements is also a barrier. A lack of awareness, information and understanding were identified as important organisational barriers during our work on the Leap4SME programme. Stakeholders from across the UK and Europe told us that SMEs are often not aware of the benefits of energy efficiency or the support that is available to them. A considerable amount of work needs to be done to raise awareness not only of the different forms of energy efficiency work that could be undertaken but also of the multiple benefits that undertaking this work can deliver for businesses. While medium-sized enterprises are likely to have more awareness of these opportunities than smaller businesses the issue remains that for many access to impartial and expert sectoral-specific advice and information around improving energy efficiency can be hard to come by. This is especially true for specialised manufacturing businesses with bespoke equipment and processes.

**Question 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?**

We believe that the eventual goal should be that all medium-sized enterprises come under ESOS but recognise that this represents a significant expansion of the

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programme and therefore the number of assessors required adding complexity to the programme. For this reason we think it would be appropriate to extend ESOS to medium-sized enterprises above a certain consumption threshold in the first instance (with this brought in ahead of the proposed 2027 phase in date) with all MEs subsequently included at a later date. This would give MEs more time to prepare and give more time to train auditors and ensure the ESOS programme is geared up for the increase in businesses being assessed.

There are several examples of consumption thresholds being used across Europe in similar energy efficiency auditing programmes which could offer useful lessons to BEIS in expanding ESOS to create a similar scheme.

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