

ESOS Newsletter

Issue 10 November 2022

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

- ➔ Phase 3 Qualification and Compliance
- ➔ Enforcing ESOS Compliance – Phase 2
- ➔ ESOS Compliance Audits

Phase 3 Qualification and Compliance

The qualification date for Phase 3 is **31st December 2022** and the compliance deadline is **5th December 2023**, as set out in the 2014 ESOS Regulations. BEIS have confirmed that there will be no change to the qualification criteria before the qualification deadline.

Qualifying organisations are any UK large undertaking that either:

- employs 250 or more people, or
- has an annual turnover in excess of £44 million and an annual balance sheet total in excess of £38 million

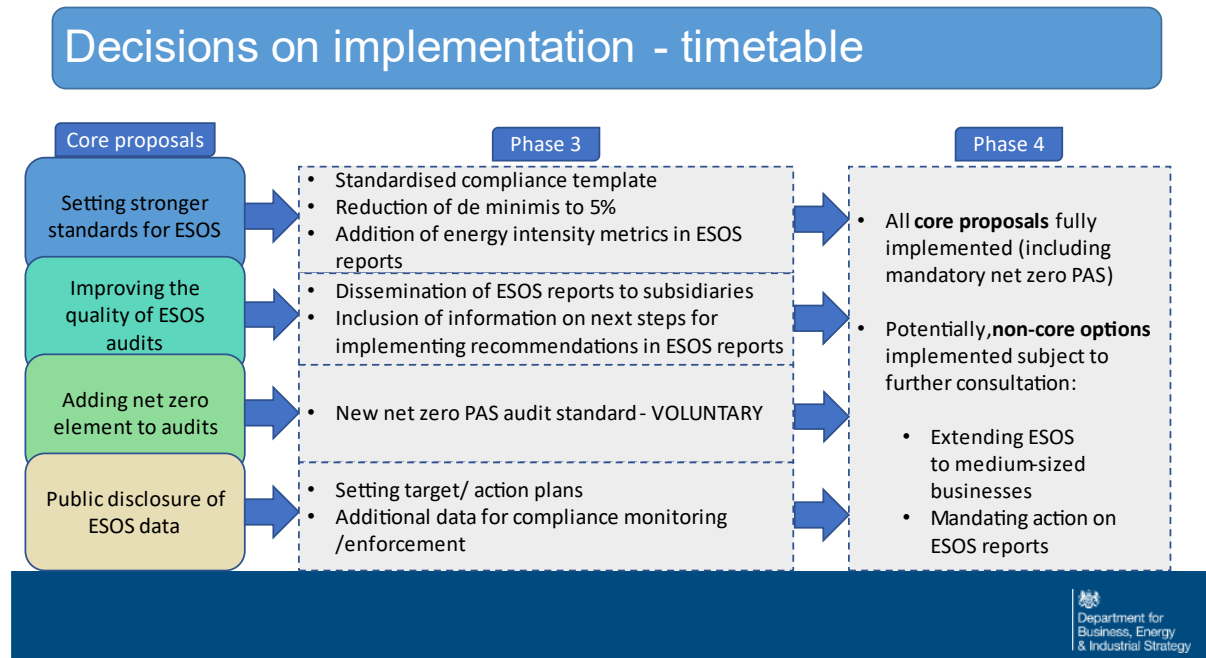
as well as any organisations that are part of a corporate group containing an undertaking that meets these criteria. Where a corporate group participates in ESOS, unless otherwise agreed, the highest UK parent will act as a 'responsible undertaking' and be responsible for ensuring the group as a whole complies.

Businesses that meet the qualification thresholds set out for large undertakings above (or for corporate groups, the 'responsible undertaking' for that group) should therefore calculate their total energy consumption (TEC) across 12 consecutive months for the buildings, industrial processes and transport they are responsible for.

The TEC must include 31 December 2022 and enables businesses to identify the significant energy consumption which will be required to be audited. The current ESOS regulations require the significant energy consumption (SEC) to be at least 90% of the TEC, although BEIS indicated in the Government Response to the consultation on ESOS that they are intending to increase this to at least 95% of TEC.

BEIS also indicated in the Government Response that they are working with BSI to develop a new PAS standard for net zero audits, which is intended for introduction in 2023 in time for businesses to include net zero on a voluntary basis, alongside the mandatory elements of the ESOS energy efficiency audit.

The graphic below summarises the decisions announced in the Government Response, and how they are proposed to be implemented in Phase 3 and 4, subject to Parliamentary scrutiny and timetable:



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

Enforcing ESOS Compliance – Phase 2

The Environment Agency has so far issued:

- 2751 Compliance Notices
- 2133 Enforcement Notices
- 82 Civil Penalties amounting to £1,271,440

in relation to non-compliance with Phase 2.

To comply with ESOS, qualifying organisations must notify the Scheme Administrator using the scheme portal by the compliance notification date. For Phase 2, this was 5 December 2019.

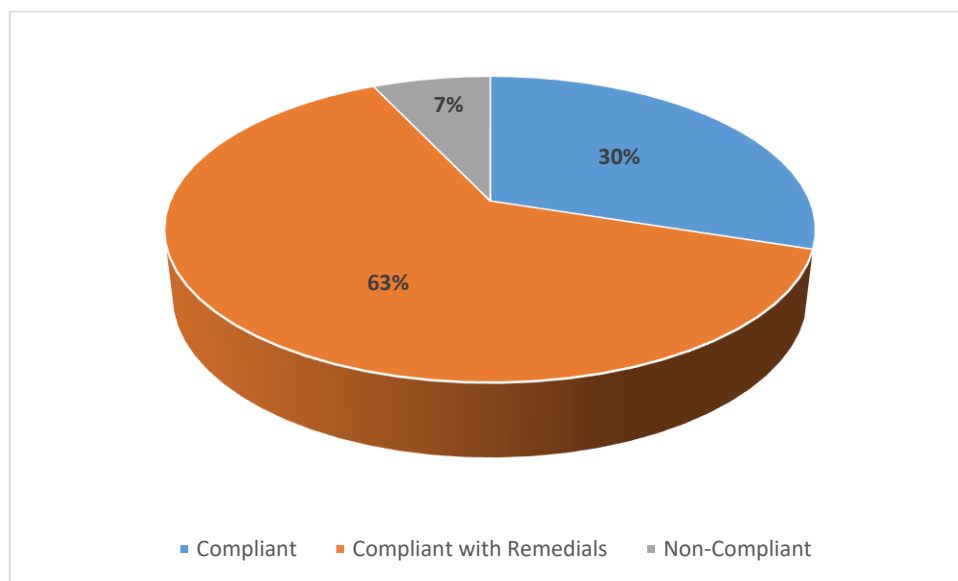
Our enforcement activity includes corporate groups in the UK where we believe they may have been required to participate in Phase 2 of ESOS but we do not have a record of a completed notification for them.

If you receive a compliance notice, you must tell us if you are in the process of completing your ESOS obligations or provide evidence that you have already submitted a notification or do not qualify for ESOS.

ESOS Compliance Audits

We are continuing our programme of compliance audits for ESOS participants.

All compliance audits are currently being carried out on Phase 2 evidence packs. To date the auditing programme has resulted in the following levels of compliance:



The areas in which we have found issues requiring corrective action have included:

- ↻ Organisation Structure
- ↻ Total Energy Consumption & Significant Areas of Energy Consumption
- ↻ Sampling Approach and Quality of ESOS Energy Audit
- ↻ Energy Saving Opportunities

Please find attached a copy of the 'ESOS Audit Need to Know Guide' which contains good practice for these areas, based on issues that have been identified, which will assist in maintaining compliance moving forwards.

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](#).