

Strengthening the Energy Savings Opportunity Scheme (ESOS)

The Energy Institute (EI) welcomes the opportunity to respond to the Department for Business, Energy & Industrial Strategy on strengthening the Energy Savings Opportunity Scheme (ESOS).

We appreciate the importance of this consultation and of energy efficiency in the UK's journey to net zero. Improving energy efficiency measures requires close cooperation between industry and government. As the 2nd biggest register of ESOS Lead Assessors, and a regular host of policy-focused roundtables bringing together diverse industry, academia and government stakeholders, the Energy Institute is well-positioned to convene expertise on this important issue. We see the value of ongoing discussion on the topic, and would be very happy to coordinate future conversations.

About the Energy Institute

The EI is the chartered professional membership body bringing global energy expertise together.

We're a unique network with insight spanning the world of energy, from conventional oil and gas to the most innovative renewable and energy efficient technologies.

The global energy industry, the people working in it and wider society all benefit from the EI's work.

We gather and share essential knowledge about energy, provide the skills that are helping us all use it more wisely, and develop the good practice needed to keep it safe and secure.

We articulate the voice of energy experts, taking the know-how of around 20,000 members and 200 companies from 120 countries to the heart of the public debate.

And we're an independent, not-for-profit, safe space for evidence-based collaboration, an honest broker between industry, academia and policy makers.

The Energy Institute maintains the Register of Professional Energy Consultants (RPEC), the UK's only cross-sectoral register of energy efficiency consultants. All RPEC consultants are chartered, with a proven track record in helping companies reduce costs and make the most of their energy spend. They are bound by a strict Code of Conduct, and approved to act as ESOS Lead Assessors.

1. Energy Institute response

The EI sent a selection of the questions from the title BEIS consultation to members of the EI Energy Management Panel (EMP), Register of Professional Energy Consultants (RPEC) and other energy efficiency professionals in our network. A total of 32 complete responses were received, the main points from which are summarised below.

Additionally, the response is based on ongoing discussion and engagement with industry specialists and subject matter experts, including members of the EI EMP.

The response addresses a selected 13 out of the total of 34 consultation questions.

2. Executive summary

Respondents have agreed with many of the proposals in the BEIS consultation paper. The majority feel there are significant opportunities to improve the impacts of ESOS by:

- widening participation,
- improving ESOS lead assessor training
- improving energy management processes as part of ESOS (with ISO50001 as an option for this)
- mandating action on ESOS report recommendations (with caveats and differing opinions as to 'how', including non-regulatory incentive ideas)
- improving the information provided to participants on the report recommendations, including guidance on next steps
- aligning ESOS more closely with other regulation (SECR in particular), and increasing the frequency of reporting on progress to help alleviate 4-year cycle difficulties
- including an assessment of actions needed to meet Net Zero commitments as part of ESOS

However, respondents are split in their opinions on whether to further standardise ESOS reporting.

Consultation Question Responses

3. Do you agree with the general principle of making ESOS reporting more standardised, as set out in the consultation paper? Are there any aspects of this proposal you have concerns with?

3.1. The consulted energy professionals are split in their opinions on making ESOS reporting more standardised: half of them agree that the current ESOS requirements should be more standardised as it will help to make it clearer and easier for lead assessors while the other half believe that the current requirements are already rigorous enough.

3.2. Key takeaways from the respondents' comments:

- ESOS reporting requirements are not too light touch, but there is no standard template for ESOS reporting. Everyone reports slightly differently, therefore it's nearly impossible to compare information from sector to sector or even business to business. There should be definite requirements within each report i.e., data analysis, Energy Conservation Measures, behavioural analysis, commercialisation routes, cash flow forecast, etc.
- However, there are concerns that increased standardisation will lead to greater bureaucracy, as experienced with some schemes in the past, e.g., CRC Energy Efficiency Scheme. The quality of ESOS reporting is mainly dependent on the capabilities, skills, and experience of the Lead Assessor.
- It is recommended to carefully consider requirements to publish full site assessments in a publicly accessible form. The information could be considered as commercially sensitive.

4. Do you agree with the proposals set out in the consultation paper to improve the information provided to participants on ESOS recommendations and how they are performing against an energy intensity metric?

4.1. With regards to the first part of the question, most of the consulted energy professionals agree with the proposals to improve the information provided to participants on ESOS recommendations. However, there are concerns about evaluating performance against an energy intensity metric.

4.2. Key takeaways from the respondents' comments:

- More data to inform management decisions is strongly supported. However, such change needs to be introduced in an informed, balanced way.
- This proposal would depend on the energy intensity metric used and if accurate benchmarks can be sourced. Many established/published metrics are quite old, hence comparisons are not useful. Regularly updated industry/process-specific intensity metrics should be made available.
- The diverse nature of businesses makes this proposal challenging. For an energy intensity metric to have validity and comparability, the drivers need to be common.
- There are concerns that this change appears to duplicate the requirements under SECR where there is the requirement to report a Carbon Dioxide equivalent intensity metric (of the participant's choosing).

5. Do you agree there should be an explicit focus on rating and improving energy management processes within ESOS?

5.1. The majority of the consulted energy professionals agree that there should be an explicit focus on rating, reviewing, assessing and improving energy management processes within ESOS.

5.2. Key takeaways from the respondents' comments:

- In addition to energy management, environmental and carbon management processes should also be improved.
- There are concerns about the feasibility of incorporating energy management process improvements into ESOS. The respondents pointed at the large number of different energy efficiency platforms, e.g. EcoVadis or CDP, which provide recommendations for improvement. It was emphasised that it becomes a very arduous task to keep up with all the different requirements that each supplier wants. Hence, it would be beneficial to develop a single standardised platform, as doing the same thing from different angles and perspectives is confusing and time consuming.

5.3. With regards to the comments on human behaviour in the consultation paper, we would like to point to the Energy Conscious Organisation initiative (www.energyconsciousorganisation.org.uk) launched by ESTA and supported by the Energy Institute. Over the past two years, the programme has upskilled over 140 ESOS Lead Assessors, ESOS Energy Auditors and end-user organisations in energy behaviour change. This training has been endorsed by BEIS and we believe it could be considered by all ESOS Lead Assessors.

6. 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?

6.1. Most (70%) of the consulted energy professionals agree that there is the need to improve the processes to ensure ESOS assessors are appropriately trained and monitored.

6.2. Key takeaways from the respondents' comments:

- The role of the assessors should be fully understood, and the distinction between Lead Assessors and Energy Auditors should be clarified. The Lead Assessor (LA) is the co-ordinator between the client, the audit plans and the organisation. The Energy Auditor (EA) should have the specific skills to carry out the appropriate audit. There should be a separate register for energy auditors and the agreed minimum standard should be required from those who are registered as ESOS Energy Auditors. The EAs register should be available to LAs to ensure continuity for the client.
- A more rigorous application process should be required to prevent registration of those who are not fit for the role.
- There is the need for improved assessor knowledge on regulatory requirements. Ongoing monitoring of assessors' competence is also needed due to rapid technological and system changes.
- More so than a lack of training, respondents point to a lack of hands-on experience leading to poor ESOS reports. This could potentially be remedied by improved sharing of assessor experiences, through regular training sessions and compilation of case studies.
- Different industries require different site assessment expertise, and not all assessors have expertise to assess all types of businesses. For example, assessors may be familiar with building assessment but lack experience or understanding of industrial processes. A system should be put into place to help ensure that an assessor's skill set matches the sites they assess.
- Costs associated with training and registration, and low charges for ESOS reports, were recognised by several respondents as major obstacles to attracting experienced consultants to offer ESOS report services. Reduced cost or financial incentives for training and registration could potentially attract better qualified consultants.
- There is a lack of clear guidance for assessors regarding report timing. Making it clearer that organisations can comply at any point within the 4 years would be beneficial to allow a steadier flow of work. Staggering requirements randomly (not by sector) over the 4-year cycle may help.

6.3. As a professional body, the Energy Institute very much welcomes moves to ensure that all those who carry out ESOS assessments are competent to do so and so the proposal to remove lead assessors who do not meet appropriate standards is supported. However, we would add that this needs to be done in a clear and consistent way. We have already given feedback to the Environment Agency and BEIS indicating that this must be underpinned by a common framework of requirements for registers covering the circumstances for removal or suspension, to ensure that there is consistency of action across all registers. Appropriate levels of information would also need to be provided by EA on the areas and circumstances of non-compliance, to enable us to act fairly, appropriately and proportionately.

6.4. We would add that, at present, registering bodies have no information on the number of ESOS assessment an individual has completed; only the EA has this information. There are also likely to be individuals who have registered with more than one body. One option may be for the creation of a single central register of ESOS lead assessors, maintained by the EA. This would provide a single source of information for organisations on lead assessors and areas of competence.

7. Do you agree with the suggestions to provide better guidance on next steps in order to encourage uptake of recommendations and the requirement to share the ESOS report with subsidiaries?

7.1. The consulted energy professionals nearly unanimously agreed with the suggestions to provide better guidance on next steps to encourage uptake of recommendations.

7.2. Key takeaways from the respondents' comments:

- Many suggestions in the consultation paper make sense but all involve extra work. BEIS needs to decide what specifically they want and build them into minimum ESOS audit requirements, so every participant is obliged to comply.
- ESOS compliance should not just be seen as a 4-yearly tick box exercise by participants, with no mandatory requirement to undertake any of the recommendations.
- An opportunity assessment is useless without also providing guidance on how the opportunity can then be achieved.
- It is believed that using case studies can help drive uptake.
- Guidance or other assurance should be reinforced to ensure that recommendations are valid and applicable. ESOS should not be used as a route to peddle products from specific organisations in which either the Lead Assessor (or intermediary such as an energy broker) has a financial interest.

8. Do you agree that ESOS should include an assessment of actions needed to meet future net zero commitments, as set out in the consultation paper? If a net zero element is included as set out above how might this impact the cost of an ESOS audit?

8.1. The majority (80%) of consulted energy professionals agrees that ESOS should include an assessment of actions needed to meet future Net Zero commitments.

8.2. Key takeaways from the respondents' comments:

- Energy efficiency is a significant contributing factor to achieving net zero. But it is only part of the story that starts with a clear and workable definition of 'net zero', which is not offered in the latest version of the Comply with the Energy Savings Opportunity Scheme (ESOS) document. The guidance doesn't indicate that through the ESOS process there is a requirement to report the CO₂e figures for total energy consumption (which would be applicable to net zero) or the carbon savings to be made through the recommendations proposed. This disconnect needs to be corrected.
- ESOS would benefit from a requirement for a specific technical assessment to address decarbonising processes and decarbonising heat, as generally these are complex and require a multi-year approach (e.g. fabric upgrades, infrastructure upgrades, etc.).
- The respondents who were against the proposal, expressed their concern that it may dilute the main energy efficiency measures and open the door to using apparently low carbon energy sources as an excuse for bad energy management.
- Additionally, it was stressed that the goal of net zero is different to the goal of ESOS. The former is a complex topic, while energy efficiency, although a significant contributing factor to achieving net zero, is only part of the story.
- There are concerns that a widened scope will increase the cost of ESOS, increase complexity of ESOS reporting and that there is currently lack of sufficiently skilled ESOS LAs.

9. Do you agree with the proposal to require participants to set a target or action plan and report on progress annually?

9.1. The majority of the consulted energy professionals agrees with the proposal to require participants to set a target or action plan and report on progress annually.

9.2. Key takeaways from the respondents' comments:

- An annual action plan or target which is required to be reported will ensure the business is keeping on top of the advice and actions set out in the report. This may help mitigate the 4-year cycle of ESOS.
- However, the right balance is needed to prevent too much bureaucracy.

10. 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?

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?

10.1. Respondents nearly unanimously agree that ESOS should be extended to smaller enterprises. The opinion is split between extending ESOS to all Medium-Sized Enterprises, and extending it to high-consuming Medium-Sized Enterprises using a consumption threshold.

10.2. Key takeaways from the respondents' comments:

- There should be a phased approach, starting with the most energy-intensive MEs and then extending downwards.

11. What alternatives might there be for improving energy efficiency specifically in industrial Medium-Sized Enterprises, other than extending ESOS?

11.1. Alternatives for improving energy efficiency specifically in industrial Medium-Sized Enterprises, other than extending ESOS, include:

- Offering additional financial incentives or tax breaks to businesses for reducing measured energy consumption
- Case studies/demonstrations of energy efficiency saving projects
- Targeted advice through trade associations
- Reducing the threshold for SECR compliance and integrating the energy efficiency element of ESOS into SECR
- Mandatory smart meter installation
- Setting up energy intensive business regional support hubs. Similar to those set up in Germany by the German Energy Agency (dena): www.effizienznetzwerke.org
- Effective in-house energy efficiency management system
- Developing a mandated requirement for organisations to report how they intend to reach net zero, likely timescales for action, and their progress to date.

12. Do you think that we should pursue the option of mandating ESOS participants to take action? Are there pros, cons and/or risks not identified in the consultation paper?

12.1. The overwhelming majority of the consulted energy professionals thinks that ESOS participants should be required to act on ESOS report recommendations, providing there is support for feasibility studies to confirm recommendations are robust and practical without being onerous.

12.2. Key takeaways from the respondents' comments:

- Negligence on the recommendation should be considered as the risk to achieving net zero.
- Mandating action would lead to system-wide improvements for energy savings.
- The SECR thresholds should be aligned with ESOS to make reporting of improvements mandatory.
- Financial burden and work overload were mentioned as major obstacles by those concerned whether such a mandatory approach would work.
- It may be difficult to assess if the measures were conducted and decide who would assess them.
- There should be an option for exclusion based upon good reason.

13. Which approach would be most appropriate of those set out in the consultation paper (requiring uptake of all recommendations that meet a payback period criteria, a requirement for ongoing reductions in energy use and/or a requirement to take action on energy management practices)?

13.1. The consulted energy professionals are equally split in their opinion on all three suggested approaches. It was stressed that we must recognise that net zero targets are now part of business planning and ESOS can align with this journey by tracking meaningful interventions.

14. Do you think we should pursue alternatives to regulation to increase take up of ESOS recommendations and are there further options not discussed here?

14.1. Nearly all the consulted energy professionals think that alternatives to regulation to increase take up of ESOS recommendation should be pursued.

14.2. Key takeaways from the respondents' comments:

- Financial support for implementation of a level of recommendations would likely be an effective incentive. For example, First-Year-Allowances for recommended measures, subject to certain anti-avoidance measures, or certain grants for recommended measures.
- It was suggested to consider the example of Germany, where tax incentives exist for businesses implementing ISO 50001.
- Incentives could be introduced but some do not view them as an alternative to regulation.

15. Do you agree with the suggestions to encourage the uptake of ISO 50001 as a compliance route? Are there further ways in which we might encourage uptake?

15.1. Most of the consulted energy professionals agree that increasing take-up of ISO 50001 as a compliance route may be effective in driving more organisations to take action and continuously improve their performance.

15.2. Key takeaways from the respondents' comments:

- The standard is perceived as providing a continual approach to planning, developing, delivering and reviewing energy saving opportunities and projects.
- Where a business has a certified Quality / Environmental / Energy system in place that requires continuous improvement, energy savings are made.
- A 'stepped' approach to ISO 50001 that is currently under development would help those organisations unfamiliar with the culture of management standards and those 'medium' sized business that may be brought into ESOS.