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Part 1: Qualifying

1. Does ESOS affect only large enterprises/organisations?

No, there will be certain cases where SMEs will also need to comply with ESOS. In the case of a corporate group that contains at least one ESOS-qualifying large organisation operating in the UK, all UK organisations of that group will also fall under ESOS, irrespective of their size.

2. We are a global organisation. Does ESOS apply only to our UK operations? What about our other European operations?

Yes, since ESOS is the UK Government's approach to implementing Article 8 of the EU Energy Efficiency Directive, it applies only to UK operations of global organisations. As far as the European operations of a global organisation are concerned, these operations will be subject to each EU member state's interpretation of the Article 8.

3. What is the change of status/two-year rule?

In order for an organisation to change its status from a large organisation to an SME, it must fail to meet either one or both of the qualification criteria – 1) employ 250 or more people, 2) have an annual turnover and balance sheet exceeding €50m and €43m, respectively – for two consecutive accounting periods. In the same way, if an SME meets either one or both of the qualification criteria for two consecutive accounting periods, it will then be deemed to be a large organisation.

Practically, if an organisation is too close to the ESOS qualification thresholds, or has recently expanded or shrunk, it may need to look back over several accounting periods in the past to determine if it qualifies.

Example 1

Let's say that an organisation's accounting period commences on 1 January each year and ends on 31 December. If that organisation met the qualification criteria over the previous two accounting periods (e.g. from 2015 to 2017) but has fallen below them only over the accounting year 2018, according to the 'change of status' rule described above, it will have to comply with ESOS.

Example 2

Let's say again that an organisation's accounting period commences on 1 January each year and ends on 31 December. If that organisation did not meet the qualification criteria over the previous six years (e.g. from 2011 to 2017) but has expanded in 2018 and thus, it now meets the definition of being a large organisation, according to the 'change of status' rule described above, it will not fall within ESOS. This is since it has not met the definition of being a large organisation for two consecutive accounting periods so it is still considered to be an SME.

4. What if an organisation has been fluctuating above and below the qualification thresholds year on year?

In this case, the organisation will have to go back as far as it takes in order to identify two consecutive accounting periods where the same status exists. This will effectively determine its organisational status for the purpose of qualifying for ESOS. There is no end date for how far back organisations may have to go to determine this information.

5. What if an organisation has never maintained the same organisational status over two consecutive accounting periods?

In this case, the organisational status over the first year (i.e. the year when the organisation was created) will be what determines whether that organisation will qualify for ESOS.

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6. For those organisations that will have to look back at previous accounting periods for the purpose of qualifying for ESOS, what is the exchange rate, which will determine the pound sterling qualification thresholds?

It is the exchange rate on the respective qualification date – not the exchange rate at the time of previous accounting periods – that will determine whether these organisations will have to comply with ESOS.

Part 2: Complying

7. What is an energy audit?

An energy audit is the examination of how energy is used in an organisation. Carrying out an energy audit should result in understanding and improving the energy performance of the organisation. It includes:

- the measurement of the energy consumption of an organisation's assets and activities through the review of energy data and data management processes
- the detection of any variations in energy consumption and the main drivers of these variations
- the identification of cost-effective energy saving opportunities.

It also includes carrying out site visits in order to verify that the audit findings and energy savings recommendations are practical and applicable to the organisation.

8. Is there a prescribed format or template for ESOS energy audits?

No, there is no prescribed format or template for ESOS energy audits. However, the UK Government highlights the importance of presenting the audit findings in a clear and accessible manner. An example for presenting ESOS assessment findings is included in the Environment Agency's 'Complying with Energy Savings Opportunity Scheme' guidance.

9. Is conducting an energy audit for ESOS the only way to comply with the scheme?

No, conducting an energy audit specifically for ESOS is not the only way to comply with the scheme. Qualifying organisations may choose a single route or a combination of routes to compliance, as long as all areas of significant energy consumption – the energy used by assets held, or activities carried out, by your organisation that account for at least 90% of your total energy consumption – are covered. You can demonstrate that you've made a compliant ESOS assessment using:

- implementing and operating an externally-certified ISO 50001 energy management system
- obtaining Display Energy Certificates (DECs)
- carrying out Green Deal Assessments (GDAs)
- ESOS compliant energy audits – either conducted specifically for ESOS, or existing audit work that meets the minimum standards to be ESOS compliant.

Among these, an ISO 50001 energy management system that covers all areas of significant energy consumption is the only route to ESOS compliance that does not require the appointment of a Lead Assessor. All other routes require at least a review and sign-off by a Lead Assessor. If you are conducting an energy audit specifically for ESOS, you may choose to work with a Lead Assessor to carry out your whole ESOS assessment.

DECs, GDAs or any existing ESOS compliant energy audits that you decide to use towards your ESOS compliance may need to be complemented by other routes since they would likely have a different reporting scope than ESOS – for instance, DEC and GDA cover only energy used in buildings.

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10. We already participate in other energy auditing schemes. Do we still have to participate?

Yes, you will still need to participate. ESOS is a mandatory scheme and those organisations that meet the qualification criteria must comply with ESOS, regardless of their participation in other energy auditing schemes. However, for the purposes of ESOS compliance, qualifying organisations will be allowed to use any audit work undertaken as part of other energy auditing schemes (such as activity under the Carbon Trust Standard, Logistics Carbon Reduction Scheme and Green Fleet Reviews), as long as the appointed Lead Assessor approves that these activities meet the minimum requirements of an ESOS Assessment.

11. What is a representative site visit approach?

To be considered 'representative,' site visits should be conducted in each different business area to include the range of energy activities and processes from all parts of the organisation. This will enable assessment of each type of energy activity or process within an organisation.

12. If we comply with the scheme, will have to do it again in the future?

Yes, ESOS will run in repeating 4-year phases. During each phase, organisations will have to assess if they qualify for the scheme, and if they do so, they will have to comply with the requirements of ESOS. The timings of each phase are shown in the table below:

	Start date	End date	Compliance date	Qualification date
Phase 1	6 December 2011	5 December 2015	5 December 2015	31 December 2014
Phase 2	6 December 2015	5 December 2019	5 December 2019	31 December 2018
Phase 3	6 December 2019	5 December 2023	5 December 2023	31 December 2022

Part 3: Lead Assessors

13. What is the role of a Lead Assessor?

A Lead Assessor will undertake various roles in relation to a participant's ESOS Assessment. He/she will directly carry out ESOS audits or oversee and/or approve the conduct and quality of ESOS audits and any other auditing activities (such as Display Energy Certificates and Green Deal Assessments) conducted by others and used to comply with ESOS. Lead Assessors will also have to sign-off the overall ESOS Assessment, thus ensuring that it meets the requirements of the scheme.

14. How can someone become a Lead Assessor?

Those interested in becoming Lead Assessors must meet certain competency requirements that are set out in the *Publicly Available Specification (PAS) 51215: 'Energy efficiency assessment – Competency of a lead energy assessor'*. PAS 51215 can be purchased here.

Lead Assessors must be members of an approved register. Operators of such registers must apply to the Environment Agency to gain certification for their members under PAS 51215.

15. How can we find a Lead Assessor?

The Environment Agency has a list of approved registers. Details of the approved registers of ESOS Lead Assessors are published on ESOS web pages on GOV.UK.

16. Can an internal staff member undertake the role of a Lead Assessor?

Lead Assessors can be either external consultants or in-house experts. Thus, an internal staff member could undertake the role of a Lead Assessor, providing he/she is a member of an approved register.

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17. We do have a staff member we think could qualify as a Lead Assessor but we are aware that each Register has different requirements, including different amounts of training and costs. How do we choose?

The choice is largely down to each organisation's requirements and the existing skills and knowledge of the person who wishes to qualify. Generally speaking, those Registers where members must already have breadth and depth of expertise may require little or no training, while those with less experience may be required to complete several days or weeks of training.

18. What are the competencies of a Lead Assessor?

A Lead Assessor must have in-depth expertise and knowledge of how to carry out an energy efficiency assessment. He/she must have a number of core competencies, as well as technical and non-technical skills. These competencies range from being capable of applying the requirements of various energy efficiency methods, to managing teams and budgets. The Lead Assessor competencies are described in detail in *PAS 51215*.

19. What should be the criteria for choosing a Lead Assessor?

It could be a false economy to choose a Lead Assessor based on price. The best approach for participants would be to match the skills and experience of a Lead Assessor with the specific needs of their organisation. It is fair to say that the majority of Lead Assessors will have some experience in buildings but there are somewhat fewer that have either industry or transport experience. If an organisation consumes energy in these areas, then it is crucial to find someone that understands their business sector.

20. Our business is quite complex – how can we find a Lead Assessor who is an expert in everything?

This is extremely unlikely – even consultants with 30-40 years of experience are unlikely to be experts in everything.

The ESOS qualification requires a Lead Assessor to have certain core competencies in areas such as: interpreting context and scope, choosing and implementing methodology, understanding of energy use and systems, managing teams/budgets/working relationships, measuring/sampling/sub-metering, interpreting data, identifying opportunities for improvement and preparing reports.

However, the technical skills of assessors in different industry sectors will vary according to the background of the Lead Assessor and the type of Register to which they belong. The type of professional body and its typical membership will give an idea of the breadth and depth of expertise of their approved Lead Assessors.

21. Our energy use is split fairly evenly between industry and transport. It's difficult to find one Lead Assessor who is knowledgeable in both sectors, so will we need to appoint two Lead Assessors?

No, there is no requirement to appoint two Lead Assessors. Some consultancies will be able to draw upon the skills of several Lead Assessors in order to oversee the audits of a participant's various functions and operations but there will be only one Lead Assessor in charge of signing-off the overall ESOS assessment. However, participants are held responsible for ensuring that their Lead Assessors are capable of covering their needs.

All professional bodies have Codes of Professional Conduct which their members must commit to. These Codes will generally include a commitment for professionals not to undertake work for which they are not competent. It is important for organisations to check the Code of Professional Conduct of the Register to which their Lead Assessor belongs to and also to check the complaint procedure for

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their right of appeal against any work that does not meet the standard for which they contracted that Assessor.

22. Does the Energy Institute have any of its registers approved as ESOS Lead Assessors registers?

The EI has two Registers approved by the Environment Agency as meeting the required standards for ESOS Lead Assessors:

- Register of Professional Energy Consultants (RPEC)
- Register of Chartered Energy Managers

Both registers existed before ESOS was developed so their members hold a range of expertise, most with considerable depth and length of experience in the industry. Membership of the Registers requires a combination of existing knowledge/qualifications and experience. Assessment is by peer review which means that existing qualified Accredited Consultants or Chartered Energy Managers will assess the knowledge and skills of applicants based on their written application and interview.

The RPEC Register, which comprises Chartered professionals who have undergone a separate assessment of their energy efficiency skills and knowledge, allows users to search for a Lead Assessor by their sector experience, knowledge of energy technologies/processes, other useful accreditations (e.g. ISO 50001) and more. In addition, it indicates the level of expertise that a consultant has in each sector/technology to help participants identify the Lead Assessor with the precise experience to meet their needs. Chartered Energy Manager is a title that conveys a level of recognition beyond their status as an ESOS Lead Assessor and is a valuable career tool for those wishing to build their expertise.

Both Registers have a Code of Professional Conduct to which their members must adhere. These Codes along with the relevant complaint procedures can be found on the EI's ESOS page. A member who is judged to have broken the Code of Professional Conduct can be disciplined and, if necessary, removed from the Register. In addition, RPEC has put in place a mechanism whereby another consultant will be allocated to an organisation in the case of such a breach to ensure that the organisation is not disadvantaged.

To find an ESOS Lead Assessor, visit: energyinst.org/industry/esos.

23. Will all participants have to appoint a Lead Assessor?

All ESOS participants will have to appoint a Lead Assessor to carry out and/or oversee and sign-off the ESOS Assessment, except for those organisations which cover all areas of significant energy consumption by an externally-certified ISO 50001 energy management system.

24. How much will the appointment of a Lead Assessor cost?

It's almost impossible to generalise on how much a good assessor would cost as they will need to tailor their services to the size, complexity and energy use profile of each organisation. There are a number of approved registers of ESOS Lead Assessors and each has a different method of qualification and comprises a mix of people with different backgrounds, years of experience and sector specialisms. This will influence how much they charge but also the level of service they can offer. Some will simply offer the audit service whilst others will have more expertise in making the most of the audit findings.

25. Can UK Lead Assessor certificates be used for other EU member states with similar schemes?

The approval mechanism for ESOS Lead Assessors only applies in the UK. If a person wishes to offer their services as an energy auditor in other countries that are implementing the EU Energy Efficiency Directive, then they will need to investigate the requirements these countries have in place to approve energy auditors.

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Part 4: Reporting and Going Further

26. Who will have to sign off our ESOS Assessment?

ESOS Assessments must be signed off by the Lead Assessor and a board-level director. In the case of an organisation that chooses to appoint an internal staff member as the Lead Assessor, the final ESOS Assessment must be signed off by two board-level directors rather than one.

27. Are qualifying organisations required to get in touch with the Environment Agency before or on the qualification date?

No, the EA does not expect to hear from participants until they have reached the determination that they are fully compliant with ESOS. Thus, there is no need for them to get in touch in advance. Participants are only required to notify the Environment Agency that they have complied with ESOS by the compliance date of each phase.

28. How much will this cost?

Participating in ESOS will involve a number of direct and indirect costs to businesses.

The direct costs include:

- a) the cost of employing a Lead Assessor to carry out the assessment itself, and
- b) administrative costs. The cost of conducting an ESOS Assessment will vary according to the size and complexity of an organisation's operations.

The indirect costs include:

- a) the cost of any physical measures a participant decides to install as a result of the ESOS Assessment (e.g. more efficient motors) and
- b) the cost of managing the implementation of recommendations, including the time taken working with contractors to install measures and halting operations in order to make improvements.

However, the latter short-term costs should result in long-term savings in the form of reduced energy bills and more efficient operations. Moreover, ESOS participants are encouraged to use life-cycle cost analyses (LCCA) instead of simple payback periods (SPP) when evaluating the costs and savings from identified energy saving opportunities. This will hopefully result in realising the long-term financial advantages of the implementation of these recommended energy saving opportunities.

29. We've read that the purpose of this legislation is to get organisations to spend money on expensive consultants and new equipment and appliances. Is this true? How can we get the cheapest route to compliance?

The major objective of ESOS is to help organisations develop a good understanding of their energy consumption and realise the potential benefits of implementing energy saving measures. Although the EU Energy Efficiency Directive that underpins it only requires organisations to undertake an energy audit, ESOS has been developed to encourage participants to implement the findings of the audit to reduce their energy bills. What this means for organisations, particularly for those that have no previous track record of energy management, is that there is a huge potential to save money year on year. However, in order to make the most of this opportunity and maximise their savings, participants will have to access the right level of skill and expertise in a Lead Assessor.

30. Implementing energy saving measures sounds very expensive. Is there a timescale for this?

Whether and when to take any recommended action as a result of the ESOS assessment is entirely up to the organisations. In addition, a good Lead Assessor will have a track record of advising companies in how to implement energy efficiency measures without significant upfront costs. The most energy

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efficient companies are the ones which have built their energy management programmes over time, usually starting with the no- and low-cost measures that lead to immediate savings with virtually no investment. Over time these savings will accumulate and can be invested in more substantial measures.

Part 5: Clarifications

31. How is ESOS different from SECR?

The main differences between ESOS and SECR are as follows:

- a) Origin – SECR is a UK-driven policy whereas ESOS is the UK Government’s approach to implementing a mandatory EU-driven policy. Under Article 8 of the EU Energy Efficiency Directive, all member states are required to introduce a programme of regular energy audits for large organisations.
- b) Qualification criteria – Both ESOS and SECR essentially apply to large organisations, meaning organisations that fall under the two schemes will overlap to a great extent, but there are differences in their definition of ‘large’. Please check the qualification criteria for each in detail to assess whether your organisation qualifies. One main difference to note is the qualification criteria for subsidiaries – in SECR, it is only mandatory to include subsidiaries in reporting if they qualify for SECR themselves, whereas in ESOS, it only takes one member of the corporate group to qualify for ESOS for the whole group to fall under the scheme.
- c) Reporting timeframe – ESOS runs in four-yearly reporting cycles, whereas SECR requires reporting every financial year within the company’s annual report.
- d) What to report – ESOS participants must measure their total energy consumption and identify cost-effective energy saving opportunities. SECR participants must report on electricity, gas and transport energy consumption as well as carbon emissions, and also include a narrative on energy saving action taken over the financial year, an intensity metric and the methodology used.
- e) Reporting – ESOS requires a Lead Assessor to be appointed to oversee and approve the required energy audits. For SECR, such authorised verification is recommended but not mandatory. ESOS requires a notification of compliance to be submitted to the Environment Agency via the online portal with no public disclosure element, whereas SECR mandates the findings to be included in the company’s annual report, making them publicly available.

32. Do any employees not based in the UK fall within the definition of employee under ESOS?

Yes, an ‘employee’ is a person employed under a contract of service by a UK company regardless of that person’s geographical location. However, if you are part of a corporate group, you do not have to include employees of subsidiaries or other group members based overseas.

33. Does subcontracting fall within the definition of employee under ESOS?

If a company sub-contracts work, then it will need to review those sub-contracts to determine whether or not sub-contractors will be considered employees of that company. The factors that should be taken into account in determining this are the tax treatment of fees paid to sub-contractors and any rights such as holiday and sickness pay. A company’s personnel department or the HMRC should be able to give more advice on this.

A sub-contractor that meets the ESOS qualification requirements will have to include all the energy consumption that it is responsible for in its ESOS Assessment, regardless of the organisations for whom the sub-contractor works. For example, this will include any work undertaken for organisations that are subject to the Public Contracting Regulations.

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34. Are agency workers considered to be employees of the company they undertake work for?

In general, an agency worker is unlikely to be deemed an employee of the company for which he/she undertakes work. However, all contracts are different; therefore, it is essential for each organisation to consult its own legal advisors in order to ensure that it correctly determines its number of 'employees'. Under the Companies Act, organisations are likely to report their number of employees in their annual reports to Companies House; the rules used to calculate the figures for the annual report should be used for the purpose of determining qualification for ESOS.

35. For the purposes of evaluating qualification for ESOS, do Private Finance Initiatives (PFIs) for public sector entities have an impact on their qualification status?

For those buildings or assets that are provided via a PFI arrangement, the responsibility for including any energy in ESOS is dependent on the final lease arrangements and energy supply responsibility.

- Where a public sector organisation is the final lessee and consumer of the energy, the energy supply is not included in ESOS, as public sector organisations are not required to participate in ESOS.
- Where the final lessee is a private sector organisation and they are providing the energy, they will have to include the energy in any ESOS assessment or audit.

Part 6: External references/Helpful links

What is? ESOS Guidance, Energy Institute and Ditto Sustainability

Supporting Industry: ESOS pages, Energy Institute

ESOS Evaluation Report, BEIS

ESOS web pages, Environment Agency and BEIS

Complying with ESOS Guidance, Environment Agency

ESOS Lead Assessors, Environment Agency and BEIS

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