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20 August 2009

Dear Ade

Guidance on measuring and reporting greenhouse gas emissions

Thank you for giving us the opportunity to respond to the joint Defra / DECC consultation on measuring and reporting greenhouse gas emissions (GHG). Improving the quality and consistency of corporate greenhouse gas emissions reporting has been a priority for IIGCC members over the past two years. We have also actively supported the Carbon Disclosure Project.

We would like to offer the following comments on the Defra/DECC Draft Guidance on How to Measure and Report Your Greenhouse Gas Emissions.

1. We see reporting on greenhouse gas (GHG) emissions as an important element of the policy framework needed to achieve a low carbon economy in the UK. We believe that reporting can help drive behavioural change in companies through developing employees' carbon management skills and focusing management attention on the overall corporate footprint. We also recognise the external drivers for such reporting, including stakeholder expectations, investor interest and commercial demands such as the use of these data in public and private procurement criteria.

2. While a large number of companies in the UK already report their GHG emissions, we are concerned that there is a lack of comparability and consistency between companies' GHG emissions data. This limits our ability as investors to benchmark company performance. There are various reasons: the existence of multiple reporting requirements and the inconsistencies in the methodologies used, the frequent lack of clarity on what is actually included or excluded from the scope of businesses' reporting, limitations in the geographic scope of reporting (e.g. where detailed data are only provided on UK operations but an overview of performance from operations outside the UK is given) and the limited reporting on emissions from companies' supply chains or the use/disposal of their products and services.

3. We therefore believe that the adoption of a common approach to the reporting of GHG emissions will help to address some of the limitations of current reporting initiatives discussed above. It will help provide policymakers and investors with the ability to compare and contrast reported data between and within sectors and over time. It will enable greater levels of comparability and benchmarking of businesses within the same sector and between different sectors. And it will also allow better measurement of the impact of environmental initiatives, helping to add credibility to businesses' communications on emissions to internal and external stakeholders.

4. We believe that the Defra/DECC Draft Guidance represents a valuable and credible synthesis of current thinking on GHG emissions reporting. We agree with the proposals that GHG emissions reporting should be based on the WBCSD/WRI Greenhouse Gas Protocol, that companies report their greenhouse gas emissions as CO_2-equivalent, that the financial control method of allocating emissions being used (as investors, we particularly support this recommendation) and that companies report on their direct and indirect emissions (Scope 1 and 2 emissions in the GHG Protocol). Organisations should also report on scope 3 emissions where those represent a material risk to the business.

5. While we broadly support the proposals, we believe that some additional discussion of the concept of materiality, including some guidance on when the base year would need to be recalculated and which GHGs should be measured and reported on. In relation to the latter point, we note that the guidance proposes that all six GHGs be reported, whereas we think in most situations this level of disaggregation would not be required and that the guidance should recommend businesses measure GHG emissions that are of material significance to that business or users of businesses' GHG data. On a separate point, we believe that more consideration needs to be given to the scope of the reporting obligation, particularly with regard to the impact this will have on different types of owners (for instance, private equity). A consistent approach should be taken between these guidelines and the obligations under the Carbon Reduction Commitment.

6. We recognise that there are areas where further research and analysis is required (e.g. verification, Scope 3 emissions, emission factors and calculation methodologies for transport). We encourage Defra and DECC to establish a process to work through these technical issues.

7. We recognise that the Defra/DECC Draft Guidance has been written as a voluntary reporting framework to encourage companies to improve the quality and consistency of greenhouse gas emissions reporting. However, we believe it is important that discussions on the implications of mandatory emissions reporting should begin now, to inform any decision to commence mandatory reporting by 2012. This should

include: a systematic review of the experience with the Defra/DECC Draft Guidelines (covering questions such as the clarity of the guidance, the costs of reporting, the quality of the reported data and its level of uptake in both the private and public sectors), the resolution of potential conflicts between the forthcoming Carbon Reduction Commitment and the Defra/DECC Draft Guidance, and the level of support required by business if reporting is be extended beyond those companies covered by the EUETS and CRC.

The IIGCC would be happy to provide further assistance in developing this guidance.

Yours sincerely,

On behalf of the IIGCC,

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