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One vision: consistency in corporate carbon reporting

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The CBI believes the Climate Change Bill should establish a sensible pathway for mandatory reporting of greenhouse gas emissions in the UK. Whilst a substantial number of UK companies currently report their greenhouse gas emissions, there is a lack of comparability and consistency in what they report. The CBI is working to address these issues and will publish recommendations on a standardised reporting methodology by spring 2009. These recommendations will feed into the revised Department for Energy and Climate Change (DECC) reporting guidelines proposed within the Climate Change Bill.

Corporate reporting is on the rise, but lacks consistency and comparability

The CBI's Climate Change Task Force report 'Climate Change: everyone's business,' launched in November 2007, demonstrated the UK business commitment to respond to the challenges and opportunities of climate change. It recognised the economy would require substantial change to meet the UK's greenhouse gas reduction goals and that business has an important role to play in delivering on these goals. The members of the Task Force signed-up to a set of ambitious commitments - one of the core commitments was to 'provide effective reporting procedures that set the benchmark for reporting carbon emissions.'

Developing a standard methodology for reporting greenhouse gas emissions and ensuring its consistent application by the business community is key to understanding the impact of both public and private environmental initiatives, as well as giving both policy-makers and investors the ability to compare and contrast reported data between and within sectors and over time.

Significant efforts are already being made by companies to measure, manage and report their greenhouse gas emissions. The Carbon Disclosure Project's 2008 report¹ showed the UK is leading the world on reporting, with ninety per cent of the FTSE100 responding to the survey and fifty eight per cent of the FTSE250 responding.

Despite the leadership being shown on reporting, it is still difficult to obtain an exact picture of the corporate performance. The multiplicity of reporting frameworks (see Box 1) and the lack of consistency in the application of these frameworks mean that it is difficult for stakeholders to compare and analyse corporate climate change performance. The commitment in the Climate Change Task Force report recognises this problem and the CBI is now taking action to support efforts by the business community to report greenhouse gas (GHG) emissions in a manner that maximises the value of these disclosures to policymakers, investors and other stakeholders.

Box 1: The range of carbon reporting initiatives creates a lack consistency in emissions reporting

The **Carbon Disclosure Project** aims to inform investors about significant risks and opportunities from climate change. This initiative is often criticised because respondees can choose the level of information they wish to disclose.

More information is at <http://www.cdproject.net>

The **Global Reporting Initiative** developed the most widely used sustainability reporting framework. However, companies have commented this initiative is too broad and does not provide enough data on any specific topic.

More information is at <http://www.globalreporting.org/>

The **Global Framework for Climate Risk Disclosure** has developed a reporting standard to incorporate investors' expectations about the information they need to analyse climate risk and opportunities. However, uptake by the private sector has been poor.

More information is at <http://www.ceres.org/>

The **GHG Protocol Corporate Accounting and Reporting Standard** is the most widely used international accounting tool for companies to understand, quantify, and manage GHG emissions. However, it leaves many technical issues open to the choice of the reporting company, reducing consistency and comparability between reported data.

More information is at <http://www.ghgprotocol.org>

ISO 14064 comprises three standards, respectively detailing specifications and guidance for the organizational and project levels, and for validation and verification. Whilst ISO 14064 is based on the GHG Protocol Standard, it is often said to be over complicated for businesses looking to achieve the standard.

More information is at <http://www.iso.org>

The **Climate Disclosure Standards Board (CDSB)** aims to develop an international accounting standard on reporting climate change related disclosure for inclusion in companies' mainstream reports, with an initial draft by September 2009. The CBI sees the CDSB work as a potential means of achieving widespread international acceptance on a common standard.

More information is at <http://www.cdproject.net/cdsb.asp>

¹ <http://www.cdproject.net/>

The CBI Carbon Reporting Working Group will produce consensus on reporting guidelines

Recognising that greater consistency in the use of reporting methodologies is a prerequisite for enabling greater take-up of corporate carbon reporting, the CBI established the Carbon Reporting Working Group. The group comprises a range of international experts on carbon reporting from companies including Insight Investment, Lloyds TSB, BT, PriceWaterhouseCoopers, Corus, Ernst & Young, Boots, Tesco, Aviva, Shell, Kingfisher, Royal Mail, BioGroup and Linklaters.

The group will issue a report in spring 2009, proposing a standardised methodology for businesses seeking to report their greenhouse gas emissions. The report will also identify the infrastructure and support processes that need to be in place to help companies, particularly SMEs, to report their emissions. The group's proposals will also form the UK business input into DECC's greenhouse gas emissions corporate reporting guidelines, expected to be published in October 2009.

In producing its report, the CBI will proactively engage with the wider business community, government and non-governmental organisations as an integral part of ensuring credibility and robustness of the group's proposals. We are currently in the process of engaging relevant stakeholders in the UK and internationally.

There are still fundamental issues to resolve in corporate carbon reporting

As the de facto standard for greenhouse gas reporting, the CBI methodology will build on the Greenhouse Gas Protocol.² However, despite its widespread use, there are a number of areas where the Protocol does not provide sufficient specificity to companies reporting on their greenhouse gas emissions. These areas include:

- Which greenhouse gas emissions are to be reported and are these to be broken down by greenhouse gas
- The scope of reporting (direct, indirect and/or supply chain emissions)
- The boundaries of reporting (geographical and organizational)
- The type and level of supplementary information to be included in corporate carbon reports.

Conclusions

1. Having clear and consistent rules on corporate emissions reporting and a proper infrastructure in place are essential prerequisites to mandatory corporate carbon reporting.
2. The CBI sees mandatory corporate carbon reporting as important to the UK's transition to a low-carbon economy.
3. The CBI carbon reporting project and the revised DECC reporting guidelines will help resolve issues around consistency and comparability, enabling government to mandate corporate carbon reporting in the UK.

Case studies:

Benefits from measurement but difficulties of comparison – Tesco

For Tesco, measuring their carbon footprint has provided the factual basis on which to formulate an ambitious emissions reduction strategy with stretching targets. The data provided by emissions footprint measurement challenged internal assumptions about carbon ‘hotspots’ and enabled the company to better prioritise where to focus effort on emissions reduction. Tesco would like the opportunity to benchmark themselves against similar organisations through the widespread use of a standardised methodology for emissions reporting and are actively participating in the CBI reporting project to help that happen.

Measuring employee-related emissions – Royal Mail Group Ltd

Royal Mail has been externally reporting its CO2 emissions since 2002, during which time both the scope and accuracy of their emission reporting has become more robust. This is due to significant internal effort to understand our carbon footprint, but also partially attributable to the improved guidance available from expert sources such as Defra, the Carbon Trust and the National Atmospheric Emissions Inventory (NAEI). However there is still significant inconsistency between corporate approaches to the scope and boundary definitions of emission sources, such as employees’ commuting to work, which Royal Mail Group claims within their ‘Scope 3’ emissions and which accounts for approximately 20% of their total carbon footprint. Such issues can be of material relevance for claims of corporate carbon neutrality, and they would welcome the development of greenhouse gas reporting guidelines that facilitate reporting on a common, comparable platform.

Defining organisational boundaries – BioGroup and the different approaches in UK utilities

Bio Group works to reduce greenhouse gas (GHG) emissions through a profitable, diverse network of facilities which turn organic waste into renewable energy whilst producing organic soils and fertilizers. As a small firm Bio Group faces similar pressures to other SMEs in that it does not have dedicated staff for its emissions analysis and carbon reporting.

To give a fair reflection of the business Bio Group chose to report using the operational-control model (where the organisational boundaries are defined where an organisation has full control over operating policies). Had they chosen different models, such as equity-control (where a company accounts for GHG emissions according to its share of equity in the operation) or the financial-control model (where accounting is compiled on the basis of operations where the company has the ability to direct the financial policies) their total emissions would have been much lower.

Furthermore, the table below shows the different approaches taken by utilities companies when disclosing their emissions data to the Carbon Disclosure Project in 2008. Further information on organisational boundary setting can be found at www.ghgprotocol.org

Company	Control choice
E.ON AG (UK)	Financial control
National Grid	Financial control
United Utilities	Financial control
British Energy	Financial control
Iberdrola (UK)	Financial control
BP	Operational control
Centrica	Operational control
RWE (UK)	Operational control
Shell	Operational control
BG Group (UK)	Operational control & Equity control
Scottish & Southern	Other

Hypothetical example of different emissions levels due to different organisational boundary decisions

The example below shows how different methods for defining organisational boundaries produce different reported emissions levels.

Comparison of emissions volumes reporting bases						
Reporting basis	Management control		Financial statements		Equity	
	% reported	volume	% reported	volume	% reported	volume
100%-owned subsidiary	100%	1,000	100%	1,000	100%	1,000
75%-owned subsidiary	100%	1,000	100%	1,000	75%	750
50%-owned jointly controlled entity (not managed)	0%	–	0%	–	50%	500
50%-owned jointly controlled entity (managed)	100%	1,000	0%	–	50%	500
33%-owned jointly controlled asset/operation (not managed)	0%	–	33%	330	33%	330
33%-owned jointly controlled asset/operation (managed)	100%	1,000	33%	330	33%	330
25%-owned associate	0%	–	0%	–	25%	250
5%-owned investment in another entity	0%	–	0%	–	5%	50
Total reported		4,000		2,660		3,710

Recalculating baseline years – Kingfisher

Kingfisher plc, the leading home improvement retailer in Europe and Asia, has been reporting emissions for its international operations for 3 years. Like many organisations, one of the challenges they have faced is how to recalculate base year emissions following significant structural changes in the company due to acquisitions and divestments or improvements in the accuracy of emissions factors and activity data. Their approach has been to follow the principles provided in the Greenhouse Gas Protocol, however this remains an area of opportunity for more detailed guidance on recalculation.

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climate change contact:

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Climate change: everyone's business

The CBI climate change board:
building a low carbon economy

The CBI climate change board was set up in 2008
to deliver the commitments set out in the CBI 2007
climate change taskforce report 'Climate change:
everyone's business.' The report recognised that
government, business and consumers all have a
role to play in making the shift to a low carbon
economy. The board brings together senior business
leaders from a range of sectors to demonstrate business
commitment to managing the risk of climate change by:

- promoting business-led policy solutions to realise carbon savings
- showcasing business opportunities for green growth
- leading by example on corporate commitments to manage carbon footprint
- monitoring progress by government and business in realising the UK's carbon targets
- influencing a post-2012 international climate change agreement.



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