

DEFRA / DECC CONSULTATION ON DRAFT GUIDANCE FOR HOW TO MEASURE AND REPORT YOUR GREENHOUSE GAS EMISSIONS

- BT response

Q1. Does the guidance provide enough detail? Are there any issues on which you would welcome further guidance?

1. The guidance provides a good level of information on most areas. Where provided, the examples provide useful additional guidance and clarification and more examples could be usefully included. BT would welcome further examples that reflect larger, more complex organisations.
2. The guidance states it is for an organisation's global emissions yet much of the guidance, especially in relation to electricity (e.g. Annex G), is very UK specific and it is not at all clear how this would extend to emissions arising outside the UK. Further clarification and rationalisation of non-UK emissions factors is required – see Q2, R5.
3. On p58 a precise definition of 'generates and consumes' and 'subsidy' is required before the guidelines could be implemented in practice.
4. There is also no reference to CHP generated electricity which has special consideration in the 2008 guidelines.
5. Guidance on selecting which scope 3 emissions to report should be further developed – see Q3.

Q2. Do you agree with all the recommendations? It would be helpful if you could comment on any recommendations with which you disagree (Guidance: page 76).

6. *R1 Standard practice: Use the financial control approach. Once you have chosen your approach, apply this consistently.*
We have reviewed the implications of using a pure financial control approach and have discovered that it would result in significant changes to BT's carbon footprint; removing some emissions which we believe we should be rightly accountable for, and adding other emissions which we believe more appropriately belong to some of our customers. These effects arise out of some of the complex lease back arrangements on much of our estate and on outsourcing contracts we have with a number of larger customers. We would happily share some of this detail with the DEFRA team.
7. *R2 Standard practice: Measure or calculate your total emissions on a global basis.*
BT agrees with this recommendation but would like to see more consistency between UK and international emissions factors – See R5.

8. *R3 Standard practice: Measure or calculate emissions that fall into your scopes 1 and 2.*
Agree
9. *R3 Best practice: Measure or calculate your 'significant' scope 3 emissions in addition to your scopes 1 and 2.*
Agree but see answer to Q3.
10. *R4 Standard practice: Measure or calculate emissions from all six GHGs covered by the Kyoto Protocol.*
Agree
11. *R4 Best practice: Measure or calculate emissions data from other gases in addition to the six covered by the Kyoto Protocol.*
Agree
12. *R5 Standard practice: Where your organisation is using standard emission factors, you should use the Defra / DECC emission factors for UK emissions. If you require other emission factors, you should refer to the emission factors in the GHG Protocol calculation tools.*
DEFRA / DECC should aim for consistency of reporting across international boundaries. BT is concerned that the difference in DEFRA and GHG/IEA emissions factors could cause confusion. In 2006 the DEFRA emission factor was 0.555 Kg Co2/kWh¹ whereas the IEA (GHG protocol use IEA data) was 0.505 Kg Co2/kWh² – a difference of 10%. This raises the issue of consistency of reporting between countries. BT would like to see further clarification, and if needed ratification of international emissions factors to ensure emissions are reported on a like for like basis between countries.
13. Where national administrations publish the equivalent of the DEFRA / DECC emission factors why does the GHG Protocol take precedence in all cases except the UK?
14. *R6 Standard practice: Report total GHG emissions as a gross figure in tonnes of CO2e.*
Agreed in principle but not in detail – see Q6,7.
15. *R7 Optional: Report on, where applicable, purchased or sold emissions reductions that meet Defra's emission reduction criteria. Then report a net figure in tonnes of CO2e, in addition to the gross figure.*
Agreed in principle but not in detail – see Q6,7.
16. *R8 Standard Practice: Report on total scopes 1 and 2 emissions using an intensity ratio.*

¹ 2009 DEFRA Carbon reporting guidelines

² IEA CO2 emissions from fuel combustion 2008

We recommend that this is presented as ‘best practice’.

17. *R9 Standard practice: Set a reduction target and choose the approach to use.*
Agreed.

18. *R9 Best practice: Set an absolute target.*

It should be recognised that absolute targets have limitations in fast changing industries and are not the only way of ensuring that targets are set in line with necessary climate stabilisation objectives – ref BT’s approach at <http://www.btplc.com/Societyandenvironment/Ourapproach/CSRresources/Originalthinking/CSIMethodology.pdf>

Q3. Do you agree with the criteria given to determine which scope 3 emissions are significant? If you disagree, please suggest additional or alternative criteria (Guidance: page 55).

19. We recommend that this guidance is further developed possibly into a decision flow chart. Determination of ‘significance’ should be split into: (i) Scale – i.e. materiality relative to other reported emissions; (ii) Control – i.e. distinguish between ability to directly control/indirectly influence and (iii) availability of data. For example, those scope 3 items that are significant in size today or in the foreseeable future, can be directly controlled by the reporting entity and are easily measured (e.g. business travel for many organisations) should be strongly encouraged to be reported. Other issues that may be significant in scale but for which data often does not exist (e.g. supply chain) should be positioned as aspirational.

Q4. Your comments are sought on the emissions data that we recommend you report? (Guidance: page 23-25)

20. We generally agree with the emissions that need to be reported but we do not agree with the attributions to the gross and net footprints as described. See Q6 and Q7.

Q5. What is your view on the supporting explanations that it is suggested organisations should include in their report? (Guidance: page 25-29)

21. In terms of a full disclosure the explanations are generally acceptable but if the intention is for the guidance to be the forerunner of mandatory reporting to appear in a company’s annual report then this level of detail is likely to be too much.

22. Additional ‘explanations’ should be: the level of performance achieved against the target (e.g. % reduction) and sources for other published carbon footprints for the organisation and why any differences with this guidance exist (e.g. CRC, CDP, other national guidance, GHG Protocol, CDSB, etc).

Q6. Your comments are sought on the external emission reductions activities that we have identified and the 'good quality' criteria that these reductions activities should meet (Guidance: Page 58-65)

23. Our reading of this aspect of the guidance is that it covers:

- On-site renewables where a subsidy has been received
- Offsets
- Purchased renewable electricity

We cover on-site renewables under Q7.

24. To date BT has had a policy not to purchase offsets and we don't comment further on this.

25. With respect to purchased renewables the guidance states that all purchased electricity, irrespective of the carbon intensity of the source, should be reported at the rolling average grid emissions factor under an organisation's gross footprint. We agree with this approach.

26. The guidance then goes on to say that any electricity can be reported as zero carbon under the net footprint if it is accompanied by the purchase of an equivalent amount of offsets (either as part of the electricity purchase arrangement or separately). This effectively means there is no distinction between a zero carbon tariff (e.g. from renewables) and a high carbon tariff (e.g. from coal). However, there will be a difference in terms of purchase price as renewable electricity carries an additional premium to cover the cost of traceability on the source of supply. We, therefore, expect that guidance in this form will remove much of the UK market for renewable electricity in favour of lowest cost electricity.

27. Although the guidance infers that purchased renewable electricity cannot be considered as renewable electricity without the purchase of counterbalancing offsets, the Renewable Energy Strategy 2009 both highlights government department good practice in the purchase of renewable electricity (p168) and states the government's intention to set up power purchase agreements (PPAs) directly with renewable generators (p59). Unless these are accompanied by offsets this would appear contrary to the spirit of the reporting guidance.

28. Finally, DEFRA has recently published figures that continue to count purchased CHP at reduced carbon intensity and we understand this will continue into the 2009 guidance and applied to the gross account. This will make it preferential to buy CHP rather than renewables or standard 'grid average' electricity, at least until the grid average carbon intensity falls below ~300g / kWhr at which point there will no longer be any advantage to buying CHP.

29. In light of these observations we recommend that all purchased electricity (including CHP) is reported at the grid average factor under the gross footprint. Any purchased renewable electricity should then be counted as zero carbon under the net footprint provided an appropriate audit trail is available from the supplier (e.g. following the Ofgem Green Supply Guidelines excluding the purchase of offsets) and that there is full assurance from the supplier that the same electricity has not been sold to more than one customer. Purchased CHP should also be counted at a reduced carbon intensity under the net footprint.
30. In the long term we continue to encourage government to establish a system of carbon labelling of all electricity sold and move away from the grid average concept.
31. The guidance is also extremely unclear how renewable electricity purchased outside the UK should be addressed. The guidance on p62 requires purchased renewable electricity to align with Ofgem Green Supply Guidelines but this would not be appropriate outside the UK. BT requests additional clarification as to how alignment with the Green Supply Guidelines should be assessed in countries with different support and guarantee of origin systems.

Q7. Your comments are sought on how organisations should account for renewable electricity that they generate. (Guidance: Page 58)

32. As mentioned under Q1 a precise definitions of the terms 'generates and consumes' and 'subsidy' as used on p58 are required.
33. BT has invested heavily in a project to develop 250MW of wind power. Because most of our energy intensive installations are in town centres this will require the turbines to be installed in rural areas with good wind, with the electricity transferred over the grid. We believe that such electricity should be considered as 'generated and consumed' by BT.
34. It is a generally accepted rule that renewable energy projects require a subsidy. In the UK this is delivered via the Renewable Obligation mechanism – for the electricity industry the subsidy is directly embedded in customer bills or for other organisations through sale of the ROC (or in the future through the feed in tariff for smaller scale projects). Outside the UK the subsidy is provided through a number of different mechanisms including tax relief, but there is always a subsidy. We assume that all these types of examples would be considered a 'subsidy' and that under the guidance the electricity generated would be counted as grid average under the gross footprint.
35. When an organisation generates and consumes its own renewable electricity it usually involves considerable internal resource, investment and

commitment. To position this in the 'net' category as equivalent to buying an offset does not give due recognition to this additional effort. We understand the rationale for this is said to be that a subsidy can create a net return on investment. However, we do not see this same approach adopted with the electricity industry, who effectively receive the same subsidy but also remove the carbon off their gross footprint.

36. On pages 64 and 65 of the consultation there are two examples. The first relates to the UK where ROCs have been sold and the second in China where the actual carbon saved has been sold. It seems perverse that in the former this counts as 'grid average' under the gross footprint but in the latter, zero carbon even though the carbon has been sold.

37. Paragraph 6.27 of the Renewable Energy Strategy 2009 states that "we intend to allow certain on-site renewables, including where they will be receiving financial support under the Feed-In Tariffs or Renewable Heat Incentive (see Chapter 3), to count towards the zero carbon standard." This appears contrary to the approach adopted in the draft Reporting Guidance.

38. For the many reasons described above, it is our recommendation that when an organisation generates and consumes its own renewable electricity then, provided the carbon saved is not sold or otherwise transferred and evidence can be provided to this effect, the electricity should be counted as zero carbon under the gross footprint.

Q8. We welcome your comments on the attached impact assessment for this policy? Do you have any estimates for how long it would take you to follow the guidance? We welcome information on costs and benefits for both policy options.

39. BT already measures and publishes its carbon footprint and this guidance will not add any significant additional cost to implement.

40. It should, however, be recognised that changes in reporting guidance can result in substantial incurred cost if it devalues existing investments or initiates contract penalty clauses.

Q9. Please provide any general comments on the guidance, especially any issues where you would welcome further explanation.

41. Overall we believe the government should attribute carbon on a legal basis where it is emitted and carbon on a reporting basis to drive behaviour change. We also encourage the government to support standards such that carbon reporting is consistent internationally.

42. Some of the proposals in the guidance are built on arguments of double counting and additionality to the RO. It is important to recognise that all grid average (Scope 2) carbon emissions are counted twice - once by the

generator and once by the user. In addition we believe the additionality argument would hold some substance if the RO was actually met.

43. There is considerable scope for confusion between the CRC performance league tables and carbon reporting following this guidance. Whilst there is some overlap between the CRC league table and the gross footprint, for a number of reasons the numbers reported under the guidance will be significantly different. This could lead to significant communication problems for organisations that are both CRC participants and report using the DEFRA guidance.