

# UK Government ESOS Phase 3 Consultation Outcome Published

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TEAM Energy's Head of Operations, Timothy Holman, explains the outcome of the UK Government's ESOS Phase 3 consultation and what the changes mean for organisations that fall into scope.

Following a Government consultation last year, The Department for Business, Energy and Industrial Strategy (BEIS) has published the long-awaited outcome detailing how they are planning to strengthen the Energy Savings Opportunity Scheme (ESOS). Formal guidance for how the changes to the scheme should be implemented by ESOS Lead Assessors is expected to be published in due course.

Recognising the variation in ESOS reporting from Phases 1 and 2, the consultation's aim was to explore how to raise the quality of ESOS audits from Phase 3 and beyond. This included helping participants take action to reduce their energy and carbon emissions and ensure ESOS recommendations are supportive of the UK's Net Zero 2050 commitments.

Organisations that comply with ESOS will be pleased to know that some of the big-ticket recommendations are being saved for later phases. However, there are some changes to Phase 3 that will impact the shape of your audits and reporting. As we are currently in Phase 3 of ESOS, it is advisable to make sure that your Lead Assessor is aware of the new guidelines.

What is changing in ESOS Phase 3?

Some of the proposals we expect will be implemented ahead of the Phase 3 compliance deadline in December 2023. Many of the proposals for Phase 3 are being carried through as non-mandatory guidance, with a view to make them mandatory for Phase 4.

Here are some of the key additions for Phase 3 organisations need to be aware of:

- The reporting will be standardised to improve the audit quality. Assessors will be required to use a new template that will be designed with stakeholders and made available in time for participants to make the necessary changes to reporting.
- With this, proposals for a standardised ESOS recommendations template will also be taken forward.
- Changing the de minimis exemption to up to 5% of total energy consumption, to help participants realise greater energy savings from areas of the organisation previously not included in audits.
- One of the proposals included mandatory thresholds for site sampling, however this has been delayed until Phase 4. However new guidance on site sampling will be provided for Phase 3 audits.
- Where available, an analysis of half-hourly energy data to be included in reporting.
- ESOS reports will need to include an overall energy intensity metric within the overview section of the report in terms of kWh/m<sup>2</sup> for buildings, kWh/unit output for industry and kWh/miles travelled for

transport.

- There will be a requirement for additional data to be collected for monitoring and enforcement in ESOS reporting.
- And finally, the requirement to set a target or action plan to be submitted after Phase 3, which organisations will be required to report on during Phase 4.

What will happen with Phase 3 audits that have already been completed?

BEIS has said they will delay the changes that will significantly impact the number of site visits needed to be carried out, but in the interest of ensuring parity across participants, they are implementing changes that 'may require some additional site visits...or alter the requirements for the ESOS report...or information reported to the Environment Agency' as detailed above. It is most likely that when the details of this are published, for anyone who has already completed their Phase 3 audits, changes will need to be made to the reports to include additional information and to standardise the report format.

What will ESOS Phase 4 look like?

In support of the Net Zero 2050 target, the Government has outlined how ESOS Phase 4 will be refocused to cover both energy efficiency and net zero. The current suggestion is that this will include identifying potential risks to organisations in moving to net zero, as well as emission reduction trajectories, and information to help organisations put together a net zero plan or help them meet existing plans.

This is a significant change to the ESOS scheme which will require Assessors to have advanced knowledge of carbon reduction methods. It may then be beneficial for participants to choose ESOS Lead Assessors that have experience of working on net zero and carbon reduction (<https://www.teamenergy.com/consultancy/net-zero-and-carbon-reduction-consultancy/>) strategies to ensure the validity and quality of the report.

What else will Phase 4 include?

- Increased clarity and guidance on site audit sampling is likely, including a minimum threshold for both the number of buildings audited and percentage of total energy consumption sampled.
- Reports will need to meet either ISO 50002 or EN 16247 auditing standards. Currently, this is only a recommendation in Phase 3 guidance.
- Display Energy Certificates (DEC) and Green Deal Assessments will be removed as a route to compliance.
- For organisations not in scope of SECR, a reporting function on the ESOS web portal will be developed to allow for annual progress reporting. While this will not be mandatory for Phase 3 participants, from Phase 4 onwards a requirement will be introduced that if the goal has not been met, the participant must explain why.

- From Phase 4 onwards, the Government will change the ESOS balance sheet and turnover thresholds to align with SECR

(<https://www.teamenergy.com/team-energy-consultancy/streamlined-energy-and-carbon-reporting-secr/>), bringing more organisations into scope.

- Following Streamlined Energy and Carbon Reporting (SECR), it will become mandatory for some data, such as a minimum energy or carbon reduction targets and net zero assessments to be made public.

- The recommendation to improve the process to ensure ESOS Lead Assessors are appropriately skilled and monitored, and Assessors failing to meet competence requirements are sanctioned, will be taken forward, but when this will be rolled out is unclear.

ENDS

Notes to Editors

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About Timothy Holman, Head of Consultancy

Timothy is experienced in the practical implementation of energy management solutions. With 25 years' experience in energy management, metering, monitoring and targeting, he has been a key player at TEAM since joining in 1997. After graduating from the University of Salford with an MEng in Mechanical Engineering, Tim went on to obtain an MSc in Energy Conservation and the Environment from Cranfield University. He is also a Chartered Energy Engineer and a Member of the Energy Institute.

Timothy is a council member of the Energy Services and Technology Association (ESTA) and Chair of their aM&T group. The ESTA aM&T Group provides dedicated support to members who provide a range of products and services targeted at measuring, acquiring, managing, processing and analysing energy data in the pursuance of energy efficiency.

He is responsible for leading the Energy Services department which comprises a team of in-house energy and sustainability management consultants with a range of skills and knowledge to support customers through energy schemes and initiatives.

About TEAM

TEAM Energy is the UK's leading energy and sustainability consultancy services. We specialise in energy management software, energy bureau services and energy consultancy.

TEAM's customers come from the private sectors including retail, transport and banking, and public sectors such as education, government, NHS and the emergency services. Public sector organisations can also benefit from TEAM's services under various pre-tendered government frameworks.