



Carla Hopkins  
Defra  
Area 5c  
Ergon House  
Horseferry Road  
London  
SW1P 2AL

5<sup>th</sup> July 2011

Re: Defra consultation – Measuring and reporting of greenhouse gas emissions by UK companies: a consultation on options

1. AIC welcomes the opportunity to provide input to this consultation exercise. Through its member companies, the Confederation represents services and inputs to agriculture worth over £6.5 billion. We represent around 250 member companies: in feed and fertiliser manufacturing and distribution and the agrochemical and seed agri-supply industry - from FTSE 100 companies to the small independent supply firm - all supporting the provision of inputs and professional advice and services to the farming industry, and indirectly to the food and drink sector. A number of our companies participate in Climate Change Agreements and EU ETS and will be captured by Carbon Reduction Schemes. Few AIC companies fall outside this scope and are large companies.
2. Our overall position is that there is no further requirement for carbon measuring and reporting placed on companies participating in CCA, EU ETS or CRC except for the simple transfer of high level emissions data (as measured within the Schemes) into Directors Reports in accordance with reviews of carbon disclosure standards, as appropriate and consistent with European and international rules.
3. It is essential that Defra draws a clear distinction between these companies, mainly large manufacturing industries, supplying raw materials and commodities, and those classified by their high electricity usage, compared with the large companies falling outside the scope of these schemes; mainly in the goods and services business sector. Our understanding is that it is the goods and services industry which would derive the benefit from standardisation of requirements from carbon measuring and reporting and NOT those already actively involved through the three schemes, mentioned above.
4. Large companies that are already classified as 'intensive' and 'high' energy users within existing schemes, already carry a weighty proportion of effort and cost in terms of managing their material GHG emissions. Their reaction to this consultation is understandably seen as adding another layer of complication, adding to their reporting and auditing costs, and thus in contravention of stated Government policy to reduce the burden of unnecessary red tape.
5. The AIC recommends that new measures need to focus on filling the gaps in company reporting and not adding additional layers on companies who are dealing with their material emissions through existing measures.
6. The CCA, CRC, and EU ETS companies are not only concerned with measuring, reporting and verification of their material emissions but are discriminated by their capital investments to improve, modify and change their processes and management systems to comply with the aims

of the Schemes: to increase energy efficiency and reduce carbon/greenhouse gas equivalent emissions. The scale of these costs means that they feature in the financial management of the companies concerned. We do not believe that any further intervention is necessary on these grounds as these businesses are already driven towards innovation or investment to achieve sustainability in economic terms and against the background of UK carbon budgets. To increase their measuring and reporting burden is likely to bear little fruit, yet be a more costly exercise. We of course, are particularly concerned for non essential costs on our members who operate in a mature industry, providing a fundamentally important business sector in contributing to food security.

7. Therefore we suggest that it is only large public and private companies (Defra's consultation option 3) falling outside the scope of CCA, CRC and EU ETS, that would benefit from the setting of a minimum standard requirement for measuring and reporting carbon emissions at a company level, and in a format of value to Finance Directors.
8. The AIC view is that it is too early to set legal minimum requirements for scope 3 emissions: exported emissions in embedded carbon traded outside the UK or company travel etc..
9. For companies who meet the large company criteria, and who are not participating in the Schemes mentioned above we can foresee there being a cost, benefit and level playing field argument, which we understand the CBI supports, for all such companies to report Scope 1 emissions (direct to air) and Scope 2 (indirect, fuel emissions etc) assuming that they are material.
10. In cases where companies Scope 3 emissions exceed a given proportion of the total emissions, Defra may wish to consider a case for enhanced voluntary reporting (Defra consultation, option 1).
11. To keep the rules simple and transparent, we suggest that any new regulations state that a large company, public or private (as defined by the Companies Act) not participating in an equivalent exception scheme (as defined by the Government) is required to follow the Defra guidance for scope 1 and 2 carbon measuring and reporting, and a simple set of high level rules for inclusion in the Company Directors report.
12. We agree, a simple specification of total CO<sub>2</sub>e broken down by direct emissions and indirect emissions against a base year would provide a useful approach and that companies should be allowed to select their own intensity/efficiency ratio and the extent of technically feasible reporting within their defined organisational boundaries.
13. Our recommendation is that 3rd party verification of carbon measuring and reporting (beyond CCA, CRC and EU ETS) should remain optional. These exercises can be disproportionately costly, when carbon analysts and consultants are involved. Furthermore, we would urge Defra to consider producing an accompanying audit protocol for carbon measuring and reporting to guard against escalating, unnecessary auditing costs.

Finally, may we thank you very much for Defra's invitation to the recent high level debate in Westminster on this subject and for the availability of well-received workshops. Both were very valuable to understanding the context and details of this consultation and enabling us to inform our members, giving rise to this response.

Yours sincerely



Jane Salter  
Head of Environment Policy, AIC