

Department for Environment Food & Rural Affairs
Climate Change Mitigation Team
Ergon House
17 Smith Square
London, SW1P 3JR

Environmentalreporting&skills@defra.gsi.gov.uk

24 March 2014

Dear Sirs,

Defra consultation on Greenhouse Gas (GHG) Reporting guidelines – 2014 update

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of **EuropeanIssuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Corporate Governance Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We welcome the opportunity to respond to the Department for Environment Food & Rural Affairs (Defra) on the GHG Reporting guidelines. We have previously written expressing our support for the greater supply of transparent information that becomes available to companies and their investors from greenhouse gas emissions reporting. We recognise that, whilst the mandatory reporting requirement only applies to quoted companies, it has a persuasive influence on other companies, such as those with securities admitted to trading on AIM and the ISDX Growth Market. We have worked with our community of small and mid-size quoted companies to raise awareness of the benefits of environmental responsibility and accountability.

We accept that there are powerful arguments both ways in relation to the particular treatment of purchases of renewable electricity, biogas and biomethane in company reports. The current regime where the grid emissions factor applies is misleading and represents a major disincentive on those companies, which decide to purchase a green electricity tariff and similar arrangements. Indeed, this argument is also applicable to the treatment of the same under the CRC Energy Efficiency Scheme. The treatment should be identical under both regimes, each delivered through Defra.

Our view is that there should be a single mandated regime for mandatory reporting. If Defra considers the current application of the grid emissions factor to green tariffs to be misleading, Defra could very easily impose an obligation of energy suppliers to advise of the amount of energy contracted under green tariffs and then adjust the grid emissions factor for each year to reflect this. This would not involve significant work for Defra and would remove the misleading manner in which current disclosures are made.

Defra's proposal of a 'dual reporting' approach considers the legitimacy of the complaints about the current regime but fails to reach a substantive conclusion. The revised structure fails to show leadership from Defra and will simply encourage confusing contradictory disclosures within company reports while adding to costs to business. Defra's advocated position appears to be in direct conflict with the "cutting clutter" agenda of the Financial Reporting Council. Accordingly, we do not support the proposed changes, but would support a change to the regime if it was delivered on a non-optional basis.

We are surprised that Defra has decided to allow such a very short period of time for consideration of these proposals, which is not consistent with the principles for government consultation.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'TW', is positioned above the typed name of the signatory.

Tim Ward
Chief Executive

Quoted Companies Alliance Corporate Governance Expert Group

Edward Craft (Chairman)	Wedlake Bell LLP
Colin Jones (Deputy Chairman)	UHY Hacker Young
Victoria Barron	Hermes Equity Ownership Services
Edward Beale	Western Selection Plc
Rob Burdett	FIT Remuneration Consultants
Anthony Carey	Mazars LLP
Jo Chattle/Julie Keefe	Norton Rose Fulbright LLP
Richie Clark	Fox Williams LLP
Louis Cooper	Crowe Clark Whitehill LLP
Madeleine Cordes	TMF Corporate Secretarial Services Ltd
Kate Elsdon	PricewaterhouseCoopers LLP
David Firth	Penna Consulting PLC
Peter Fitzwilliam	The Mission Marketing Group PLC
David Fuller	CLS Holdings PLC
Nick Gibbon	DAC Beachcroft LLP
Nick Graves	Burges Salmon
Andrew Hobbs	EY
Alexandra Hockenhull	Xchanging plc
David Isherwood	BDO LLP
Nick Janmohamed	Speechly Bircham LLP
Dalia Joseph	Oriel Securities Limited
Claire Noyce	Hybridan LLP
Gabriella Olson-Welsh	McguireWoods
Anita Skipper	Aviva Investors
Julie Stanbrook	Hogan Lovells International LLP
Nicholas Stretch	CMS Cameron McKenna LLP
Peter Swabey	ICSA
Eugenia Unanyants-Jackson	F&C Investments
Melanie Wadsworth	Faegre Baker Daniels LLP
Cliff Weight	MM & K Limited