Energy Savings Opportunity Scheme (ESOS) – Opportunity or More Red Tape?

The latest EU energy initiative, The Energy Savings Opportunity Scheme (ESOS), is coming into play. There is a danger that this could prove to be nothing more than pointless and expensive red tape but get it right and it will spur companies to greater energy efficiency and payback a worthwhile return on investment, says Jeremy Shinton of Mitsubishi Electric.

ESOS is a new piece of EU legislation which requires member states to introduce a mandatory programme of energy audits for ‘large enterprises’. The mandatory energy audit scheme will impact on over 9000 of the UK’s largest companies and if you are amongst that number you will need to act during 2015 to ensure compliance. Failure to comply could lead to significant fines - for example up to £50k plus £500 per day for each day that you do not comply. The fines are designed to be more costly than the audits which are expected to range in price from £5k to £50k.

And there is more:

- You have to undertake ESOS approved energy audit by 5 December 2015.
- You will have to submit the necessary paperwork to The Environment Agency about your ESOS audit that would have been conducted by an (ESOS) approved auditor.
- Organisations that qualify for ESOS must carry out an ESOS assessment at the end of each subsequent four-year compliance period, ending on December 5th 2019, 2023 and so on.

Organisations qualify if, on 31st December 2014, they met the ESOS definition of a “large undertaking”. This is defined as: “…either employing at least 250 people or has an annual turnover in excess of €50m” and, in addition, has an annual balance sheet in excess of €43m.

If your employee numbers or turnover and balance sheet totals for the year ending either on the qualification date of 31 December 2014 or in the 12 months immediately preceding this, exceeds these levels, then you qualify.

ESOS Audit

The ESOS audit will cover how energy is used in your business in:

- Transport
- Buildings
- Industrial operations/processes

The ESOS approved auditor (you must ensure they are approved) will undertake a comprehensive analysis of your company and provide a report outlining amongst other things recommendations to save energy.
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It is notable that the audit IS mandatory; carrying out any recommendations IS NOT!

The audit will cover an analysis of your energy consumption across different buildings and/or manufacturing processes and offer suggested savings on capital spend projects with associated return on investment (ROI) calculations. Specific energy consumption performance against production and/or weather conditions must be included.

Opportunity or Red Tape?

This will depend upon how you choose to meet your ESOS obligations. Red Tape can be thought of as “excessive regulation” which many would say describes ESOS very well, as probably none of the 9000 large companies in the UK campaigned for its introduction.

Whether ESOS is regarded as excessive regulation or not is perhaps of academic interest. If it applies to your business then you can complain but you cannot hide – you have to comply or pay fines. The choice you subsequently make determines whether ESOS becomes a Red Tape activity or provides you with Business Opportunity:

• Option 1 Red Tape Approach
  - Tick the Box, get the audit done and file the paperwork for compliance only, undertake no energy saving recommendations.

• Option 2 Business Opportunity Approach
  - Tick the Box PLUS - Select an approved auditor with a brief to go beyond ESOS compliance. How far and which direction will depend upon where you are now. Subsequently implement energy saving measures with good ROI.

ESOS may well be unwelcome for many businesses but unlike most legislation there is genuine and significant potential business gain for the majority of companies that have to comply. Whilst energy might not be at the top of your business priorities, for the majority of manufacturing and industrial companies there remains considerable scope for cost effective savings.

This raises the question: How can businesses capture the business opportunity whilst complying with ESOS? Generally the smart advice is the “Tick the Box PLUS” approach – go beyond compliance alone and select a good partner to help you get the most savings possible.

Mitsubishi Electric is well positioned to help industry meet the needs of ESOS and provide an approach with associated technology to ensure its customers gain the maximum business benefits. A good number of companies have already sought advice and support as they prepare to address ESOS.

In Fact, ESOS support is something that has been developed as part of a broader energy management offering from Mitsubishi Electric working together with RUMM Ltd., branded MelEnergy. This is designed to help businesses to develop long term energy management solutions and address the ESOS legislation.

MelEnergy can provide the approved auditors for ESOS compliance but more significantly the expertise to extend the energy audit specifically for any given business to ensure that they maximise the savings in energy expenditure. MelEnergy can provide the energy management software platform and technical expertise to develop the best energy saving options for you.
About Mitsubishi Electric

With over 90 years of experience in providing reliable, high-quality products to both corporate clients and general consumers all over the world, Mitsubishi Electric Corporation is a recognized world leader in the manufacture, marketing and sales of electrical and electronic equipment used in information processing and communications, space development and satellite communications, consumer electronics, industrial technology, as well as in products for the energy sector, water and waste water, transportation and building equipment.

With around 124,000 employees the company recorded consolidated group sales of 39.3 billion US Dollar* in the fiscal year ended March 31, 2014.

Our sales offices, research & development centres and manufacturing plants are located in over 30 countries.

Mitsubishi Electric Europe, Industrial Automation – UK Branch is located in Hatfield, United Kingdom. It is a part of the European Factory Automation Business Group based in Ratingen, Germany which in turn is part of Mitsubishi Electric Europe B.V., a wholly owned subsidiary of Mitsubishi Electric Corporation, Japan.

The role of Industrial Automation – UK Branch is to manage sales, service and support across its network of local branches and distributors throughout United Kingdom.

*Exchange rate 103 Yen = 1 US Dollar, Stand 31.3.2014 (Source: Tokyo Foreign Exchange Market)