Current Approaches to Environmental Reporting

A KPMG Survey of Gas and Electricity Companies

15 March 2001

KPMG

This report contains 38 pages

Appendices contain 11 pages

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Executive summary

In response to Ofgem's *Environmental Action Plan: A Discussion Paper*, KPMG has been appointed to advise on the current position of environmental and sustainability reporting by gas and electricity companies. The study has provided an opportunity for gas and electricity companies to express their views on current approaches and future trends in environmental reporting – a continuation of the consultation process initiated by Ofgem through the publication of the *Environmental Action Plan*.

A questionnaire-based assessment of environmental reporting was undertaken of a sample group of regulated gas and electricity companies. The purpose of the assessment was to gain an understanding of environmental reporting in the sector and subsequently, inform Ofgem on future actions. The questionnaire was completed primarily through telephone interviews (24 companies) with an additional five face-to-face interviews to provide supplemental insights on motivations, benefits and future reporting trends.

Key Findings

Within the sample group, 19 of 29 companies currently produce an environmental report (either as a stand alone environmental, sustainability or a joint environmental, HSE and/or community report) in addition to a financial report.

A number of companies have also adopted an environmental management system (EMS), with 23 of the 29 respondents being certified to ISO 14001 (wholly or in part). Among the respondents who have adopted an EMS, ISO 14001 was believed to provide more significant support to reporting than EMAS or ISO 9000, despite the EMAS requirement to produce a public environmental statement.

The key motivations to report, identified by the respondents, can be generalised as internal or external drivers. The most important internal drivers, including voluntary reporting commitments, a general duty of transparency and accountability, and reinforcement of company values, are somewhat intangible. In contrast, tangible drivers such as potential cost reductions or identification of environmental improvements were ranked considerably lower. This suggests that environmental reports may not be considered a primary management tool within the organisations, but a means to improving corporate image or responding to stakeholder or peer pressure. The presence of reporting guidelines also exerts an influence in that they inform the reporting methodology of many companies.

A significant number of companies do not report at all despite clear motivations to do so. Within the sample group, 10 companies do not produce an environmental report in any form. The companies demonstrated a near complete lack of internal drivers as many do not face extraordinary public pressure or reputational risks from environmental or social impacts.

Among companies who do report, clear benefits were identified, both within the organisation and to external stakeholders. However, the relevance of the report information to strategic decision making was found to vary widely between respondents. Several believed the report was highly relevant to decision making, while others concluded "there are a range of factors to be considered in decision making and the report is only one part of the process".

Although many respondents were confident in identifying the key audiences of the report and the benefits for each stakeholder group, surprisingly few companies engaged in formal stakeholder consultation. The large reporting audience identified by the respondents and the absence of a clear trend on stakeholder benefits seems to indicate a lack of understanding by companies of the needs and expectations of stakeholders.

The level of regulation in the sector sparked a number of comments from the sample group. While negative feedback focussed on over-regulation, several respondents believed there could be a role for Ofgem in promoting environmental reporting. However, they stressed that 'promotion' of reporting should be in the form of support rather than statutory obligations. As described by one respondent, the role of Ofgem is to "find a way to introduce little carrots".

Options for Ofgem's future actions

In light of our understanding of current approaches, best practice and future trends of corporate reporting, and having considered the opinions expressed by sample group respondents, we have identified a number of options that may be considered by Ofgem. For each option, a series of alternative routes for action are described as well as key challenges. Options range from the development of a mandatory reporting framework to incentives for voluntary reporting.

1. **Promote the Incidence of Reporting**

   Numerous challenges exist for Ofgem in promoting environmental reporting. The introduction of mandatory reporting could prove highly contentious if seen to be a unilateral decision as opposed to a co-ordinated policy among UK regulators. Moreover, corporate reporting is an expensive exercise, particularly for new entrants or small companies, and the benefits of reporting are not recognised by all operators. Therefore, mandatory reporting could ultimately result in higher prices for consumers.

2. **Promote the Quality of Reporting**

   Increasing the quality of reporting (eg defining the scope of reporting and the information to be reported) may improve environmental performance and result in better information for stakeholders. The options for improving the quality of reports include mandatory or voluntary guidance on report content, including key performance indicators (KPIs). While several methods of encouraging the use of KPIs exist, there are challenges in developing and implementing such a system. Although there are common elements that are reported by companies, there remains a lack of consensus on what a report should contain.

3. **Promote Benchmarking within the Sector**

   Benchmarking facilitates best practice sharing and allows comparison of environmental performance in a meaningful way. The submission of comparable data from regulated companies would provide Ofgem with a valuable resource in terms of monitoring sector performance. Implementation options include mandatory or voluntary disclosure of data based on defined KPIs. Challenges are inherent in benchmarking, as there is no consensus in the international community on which areas/items KPIs should focus on. In addition, the diversity of the sector indicates that the development of robust and widely applicable benchmarking scheme would be highly controversial.

4. Provide Support to New Reporters

The dynamic nature of the sector has resulted in a number of new entrants, many of which may require support in reporting. Ofgem's options include organising workshops, providing reporting guidance, or reference to appropriate third party sources of guidance. However, guidance on environmental reporting is not Ofgem's core competency and without careful stakeholder engagement, it may not be credible within the sector. In addition, there is a risk of duplicating existing national or international efforts in this field.

5. Explore the Linkages Between Corporate Reporting, Underlying Performance and Environmental and Social Outcomes

Ofgem's economic, environmental and social responsibilities require a careful balance between possibly conflicting objectives. There is a need to deepen the understanding of the linkages between environmental reporting, corporate environmental performance and social outcomes. Options include undertaking research on the linkages between environmental reporting, corporate performance and social outcomes, or promoting two-way dialogue with stakeholders on the issue. Challenges exist in exploring the balance between economic, environmental and social dimensions given that there is still an open debate on how sustainability should be achieved.

1 Introduction

1.1 Background

Environmental reporting, first emerged over ten years ago, is quickly evolving in line with the political, social and environmental agenda. Although reporting was originally a task for companies with perceived environment impacts, it is now an essential component of sustainable corporate best practice.

In July 2000, Ofgem released their *Environmental Action Plan, A Discussion Paper*. The paper investigated key environmental issues including a proposal to encourage companies to publicly report on environmental performance. The results of the subsequent consultation indicated that while some respondents supported promotion of environmental and sustainability reporting, others believed the present level of reporting and regulatory requirements did not warrant further action.

Following the Environmental Action Plan, Ofgem appointed KPMG to advise on the current position of reporting by gas and electricity companies.

1.1.1 Reporting Context

Environmental Reporting is quickly advancing from an optional public relations exercise to an action that is demanded by stakeholders and highlighted in the political agenda. At the recent CBI/Green Alliance Conference on the Environment, Tony Blair challenged the top 350 companies in the UK to "be publishing annual environmental reports by the end of 2001".[1]

In addition, Environmental Reporting is increasingly being addressed by the UK Government, both through the preparation of internal reports such as the Environment Agency *Annual Environment Report* and externally, through the encouragement of reporting in government policy and guidance. For example, the 1999 UK Strategy on Sustainable Development encouraged environmental reporting as a method of managing risk and improving performance. To this end, the Department of Environment, Transport and the Regions have published a set of guidelines to promote the practice of environmental reporting.

Although the quality of reporting is clearly improving, with the assistance of guidelines such as the Global Reporting Initiative, the recent survey by the UN Environment Programme and SustainAbility indicates too few companies develop indicators for the purposes of benchmarking.[2] In addition, the survey found that companies do not generally identify their role in basic sustainability issues such as fossil fuel consumption.

These issues indicate that while reporting is clearly increasing, it is a dynamic process that will continue to change in the foreseeable future.

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[1] CBI/Green Alliance Conference on the Environment, 14 December 2001.
[2] Corporate Sustainability Reporting "on the up", ENDS Daily, 16 November 2000.

1.1.2 Objectives of the study

The aims of the original study, from which this report has been extracted, are to inform Ofgem of existing reporting requirements within the gas and electricity sector and gain an understanding of the current approaches to environmental reporting. The specific objectives of this report are as follows:

1. To provide a sample group of regulated gas and electricity companies with an opportunity to discuss their approach to reporting, if any, and to determine their views on environmental reporting through a reporting assessment questionnaire;
2. To investigate management, assurance and reporting systems and their level of uptake within a sample group of regulated gas and electricity companies; and
3. To analyse the results of the reporting assessment and identify options on possible further action by Ofgem.

1.2 Assessment Methodology

1.2.1 Reporting Assessment Questionnaire

An environmental reporting assessment questionnaire was developed (Appendix A) with a view to provide greater understanding of reporting within the regulated gas and electricity companies and inform Ofgem on future actions. Specifically, the questionnaire addressed the following issues:

- Type and content of environmental and/or social, community, HSE and sustainable development reports;
- Levels of verification of reports by independent third parties;
- Motivations and benefits of reporting;
- Adoption of reporting standards and guidelines (national, European and international);
- Companies' perceptions and opinions on future trends of corporate reporting;
- Companies' views on the role of the Ofgem with regards to reporting.

The questionnaire was targeted at both companies who produce environmental reports and those who do not. For the purposes of this study, an environmental report is defined as a report dedicated to environmental performance, which may include health, safety, social, sustainability or community information, and is published separately to the financial statement. The questionnaire was generally applied to reports published in the latest financial year. However, given the recent de-mergers, several 'new' companies in the sample group will be producing their first report in 2001. In these cases, the questionnaire was applied to the forthcoming report to capture relevant information on future trends.

The questionnaire was completed primarily through telephone interviews (24 companies) with an additional five face-to-face interviews to provide supplemental insights on trends and perceptions. Given the objectives, the questionnaire is composed of open and closed questions and is designed to guide a discussion on environmental reporting during the interviews.

The interviews were conducted with the company-nominated contact, generally an environmental manager, or in some cases, the manager of regulation or communications. Interviews were completed in February 2001.

1.2.2 Sample Selection

The questionnaire was applied to a sample group consisting of 29 gas and electricity companies (Appendix B). Selection criteria, designed to produce a representative sample, were applied in the nomination of a sample group. The criteria are as follows:

- Leaders in sustainability, environmental or social reporting (as evidenced by reporting award schemes);
- Representatives of the value chain (ie. Generation/Shipper, Transmission/ Distribution, Transportation, Supply, Meter Service Companies);
- Large or established companies as well as new entrants;
- Small and medium sized companies;
- Natural monopolies (geographic and partial monopolies);
- Geographic representation (particularly in terms of distribution companies);
- Companies whose primary activities are regulated by Ofgem.

1.3 Study Limitations

The key limitations of the study are summarised as follows:

- Condensed timeframe and resources – The study addressed the key objectives during a five week programme. While the study provides a view of environmental reporting performance, this is restricted to a sample group of companies to accommodate the condensed timeframe and resources available. The key findings emerging from the analysis of the questionnaire indicate the opinions of a sample group of companies and may not accurately represent the whole sector;
- Nominated Questionnaire Respondents – The respondents of the questionnaire were nominated from within the sample group of companies. While we made every effort to encourage the nomination of a senior environmental manager (where available), this was not always achieved. Consequently, the opinions of the respondents may reflect their different roles in the organisations interviewed;

- Quantitative Data - Data was obtained through interviews with a sample group of companies operating in the industry. Consequently, quantitative results are presented as real numbers or general trends rather than percentages to emphasise that they may not fully reflect the views or opinions of the whole sector.

1.4 Structure of the Report

Chapter 2 –analyses the key findings of the reporting assessment under six themes: reporting format, environmental management systems, motivations to report, reporting benefits, regulation debate, and reporting dilemmas;

Chapter 3 – discusses a number of options for Ofgem's future actions, including the rationale, routes of action and challenges inherent in each option.

2 Current Approaches to Environmental Reporting

To facilitate analysis of the key findings of the reporting assessment, the results are discussed under the following themes:

- Reporting format;
- Environmental Management Systems;
- Motivations to report;
- Reporting benefits;
- Regulation debate; and
- Reporting dilemmas.

2.1 Reporting Format

Within the sample group, 19 of 29 companies produce an environmental report in addition to the financial report. As stated in the introduction, for the purposes of this study, an environmental report is defined as a report dedicated to environmental performance, which may include health, safety, social, sustainability or community information, and is published separately to the financial statement.

The companies have varying levels of experience in reporting, ranging from new reporters to those with five to ten years experience. This reflects the utilities sector as a whole which has an established reporting history.

Report Types

Environmental reporting (as demonstrated in Figure 2.1a) represents a popular form of stand-alone report in the sample group. In addition, a number of companies produce joint reports, or are advancing toward corporate social responsibility and sustainability reports. The option 'other' reflects a number of other types of reports on different issues, including energy efficiency, statutory reporting commitments, customer information and quality of supply reports. The questionnaire also reflected the growing integration of environmental and social issues in the annual financial statement. The majority of companies discuss their position on environmental and social issues in the annual report and many also include environmental costs and liabilities where required. Reflecting the importance of land contamination in the sector, most environmental costs are addressed as a contingent liability in the annual report.

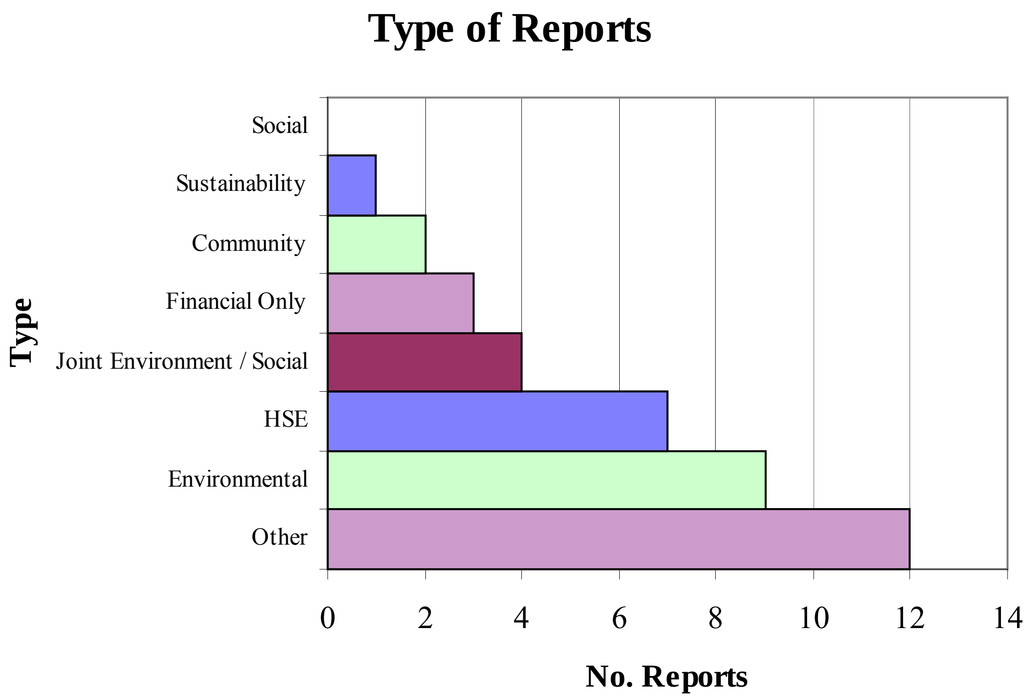

Figure 2.1a Reporting Types in the Sample Group of Companies

Content and Format

Environmental reports are presented in a variety of formats including hard copies, web versions and summary reports. Companies in the sample group commonly include the report on their web site, either as the complete report or as a summary version. One respondent noted that the presentation of report highlights on the internet, rather than the complete report, may be a future trend.

With the exception of one, all of the companies have a written environmental policy. In addition, the majority of companies include targets and quantitative data in their report on a range of issues including air, water, waste, and energy efficiency (as illustrated in Figure 2.1b). Many companies also include data from previous years to allow comparison. It should be noted that several respondents no longer include historical data as frequent changes in the corporate entity reduce the relevance and meaningfulness of benchmarking performance.

Other common inclusions in the report include energy efficiency, community programmes and values or business principles. As part of the Energy Efficiency Commitment many companies choose to produce a public report describing their targets and progress in relation to this issue.

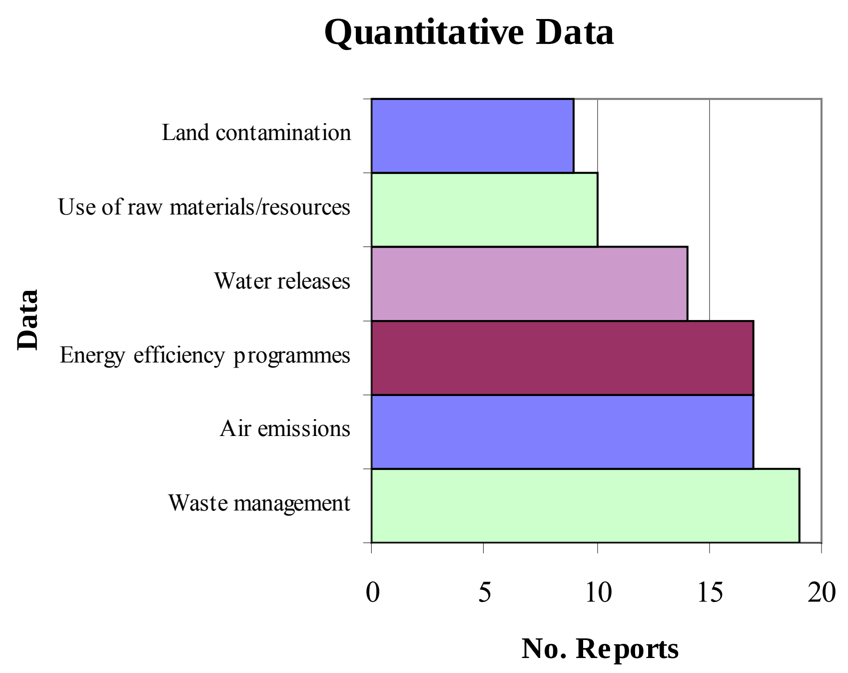

Figure 2.1b Reporting on Quantitative Data in the Sample Group

2.2 Environmental Management Systems

Environmental management systems (EMS) such as BS EN ISO 14001 are increasingly adopted by UK businesses. Such systems, and particularly registration under EMAS, provide an established framework to support environmental reporting. Data gathering through an EMS enables a company to understand and control its impacts on the environment, to benchmark itself against other companies and, should it choose, to report this externally.

According to the Electricity Association[3], as at March 1999, ten electricity companies among the 28 association members had environmental management systems certified (wholly or in part) to ISO 14001. In addition, five others were seeking certification while seven power stations were registered under EMAS.

Among the surveyed gas and electricity companies, 23 of the 29 respondents have implemented an EMS; 17 of them in part and 6 of them fully (see Figure 2.2a). In particular, 20 companies are certified to ISO 14001, ten to ISO 9000 and four have applied to EMAS.

[3] The UK Electricity Industry and the Environment 2000, annual report by the Electricity Association, London.

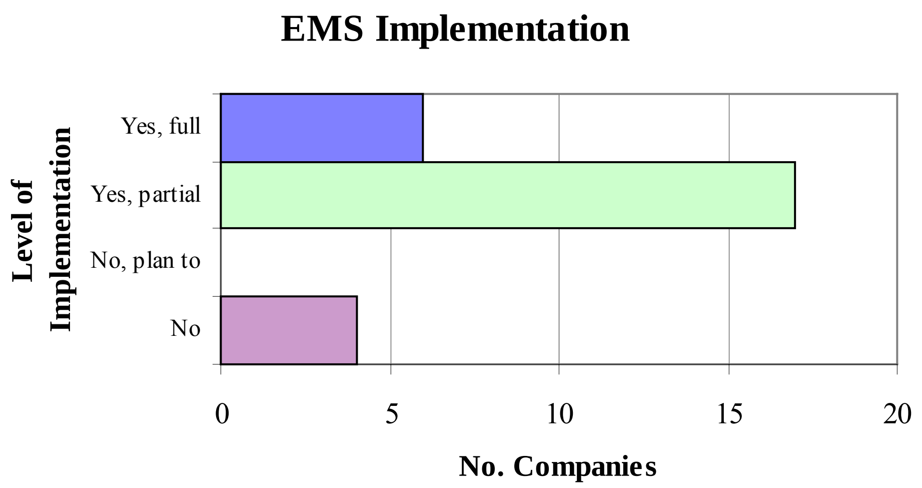

Figure 2.2a EMS Implementation in the Sample Group

An EMS was viewed by respondents as a key tool to effectively manage corporate environmental performance. However, the importance of linking the system with the allocation of individual responsibilities was emphasised. As stated by one respondent, "adopting an EMS is establishing rigour in how you address environment impacts. The challenge is to avoid a system that removes the challenge from people".

Among the companies who have adopted management systems standards, ISO 14001 was believed to provide more significant support to reporting than EMAS or ISO 9000 (see Figure 2.2b). This is despite the EMAS requirement to produce a public environmental statement. One respondent stated, "ISO14001 provides a systematic and rigorous approach to reporting", while another pointed out that "ISO 14001 helps on the big picture, but provides no specific guidance. ISO 9000 does not help with reporting at all". In contrast, another respondent believed ISO 9000 provides support to corporate reporting "…because it sets the protocol for processes and procedures".

It is interesting to note that all sample companies adopting ISO9000 or EMAS have also obtained ISO14001 certification. Among the nine companies who have not adopted ISO or EMAS standards, two of them use another EMS for data collection.

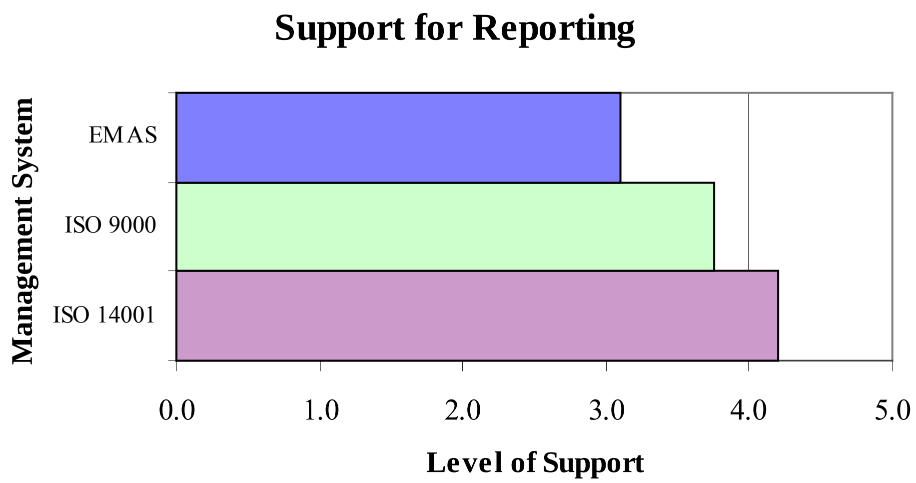

Figure 2.2b EMS Support for Reporting in the Sample Group

2.3 Motivations to Report

The motivations to report, although complex and often interlinked, can be generalised as internal or external drivers. Internal drivers, or those originating from within an organisation, can include aspects such as commitment from the board, transparency and accountability, or reinforcement of company values. In contrast, external pressures include statutory commitments, stakeholder and peer pressure and improving corporate image.

Internal Motivations

Internal motivations for reporting within the sample group varied considerably, as demonstrated in Figure 2.3a. However, many respondents identified transparency and accountability, reinforcement of company values and voluntary reporting commitments as the strongest internal drivers. Interestingly, each of these drivers are considered intangible. In contrast, tangible drivers such as potential cost reductions or identification of environmental improvement are ranked considerably lower. The motivations suggest that the report itself may not be a key management tool within an organisation. As described by one respondent, "the process of stakeholder dialogue and the preparation of the report content is more important than the actual report". Another respondent believed motivations to report were "softer", rather than quantifiable aspects. This perception will be investigated further in section 2.4 (Reporting Benefits)

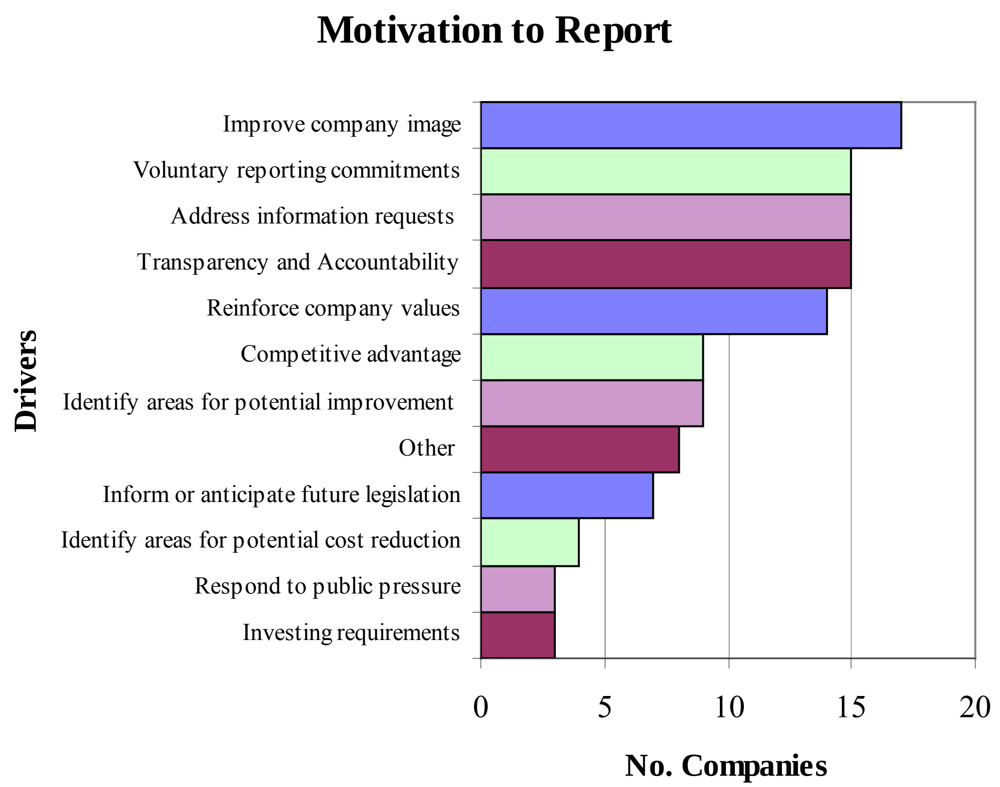

Figure 2.3a Motivation to Report in the Sample Group

The commitment of the Board or senior management was commonly identified as a key motivation to report. Many respondents suggested that without such commitment, the process would be either meaningless or not possible. Within the study group, data was compared to determine if a relationship existed between commitment of the Board (eg sign off of the report at Board level; responsibility for environmental issues at Board level clearly identified) and environmental reporting. The results, illustrated in Figure 2.3b demonstrate companies who receive commitment from the Board are more likely to produce a report than companies who lack commitment. This relationship is commonly recognised, as evidenced by the number of reporting guidelines that emphasise the necessity of high level commitment. The costs and resources required to produce a report suggest the benefits must be recognised at Board-level to ensure appropriate action.

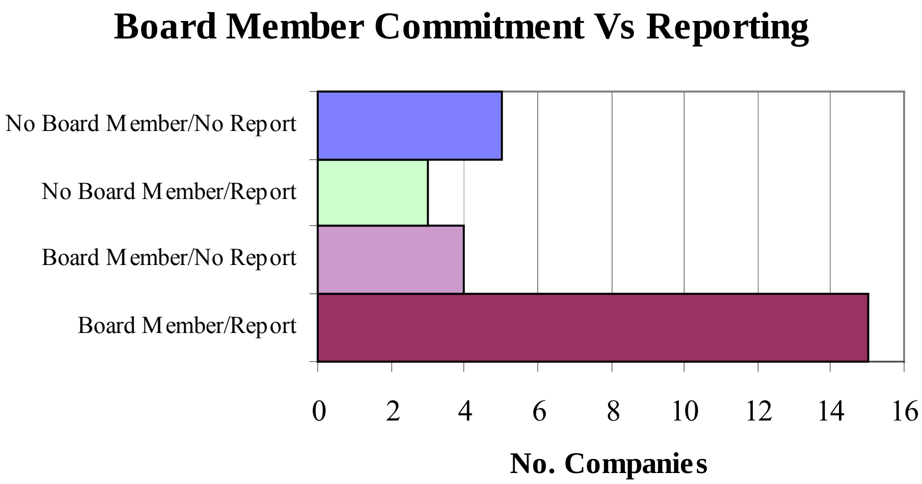

Figure 2.3b Commitment of the Board to Reporting Vs. Report Production

Although there are clear motivations to report, there remains a significant number of companies who do not. Within the sample group, ten companies do not produce an environmental report in any form. This figure can be considered inflated as two of the companies are subsidiaries and their parent company produces a report. Furthermore, four of the ten non-reporters expressed intention to publish a report in the future. This indicates growing awareness of the importance of reporting within the sector.

Of the companies who do not produce a report, nor intend to do so in the future, there are a number of reasons. One member of the study group explained the cost of reporting was disproportionate to the size of their organisation. As described above, reporting can represent a significant cost, particularly where benefits are not clearly apparent to an organisation. Another respondent explained they did not report because the "level of inquiry into environment performance is low". The perceived lack of significant impacts also led several respondents to the conclusion that environmental reporting (or rather monitoring of environmental performance) is not a necessity.

External Motivations

External motivations vary in terms of their influence on individual companies and the sector as a whole. Whilst statutory reporting requirements would be considered the strongest form of motivation, the production of a public corporate environmental report remains a voluntary activity. In light of this, incentives (eg awards or recognition) or pressure (eg from stakeholders or peers) are key forms of motivation.

While almost half of the companies (fourteen) in the sample group indicated they had participated in an awards scheme in the past, there remained an element of scepticism as to the level of impact on reporting. Figure 2.3c demonstrates that award schemes do not often influence the reporting process. However, as stated by one respondent, "Awards are useful for benchmarking purposes: we look at who are the leaders and try to understand why".

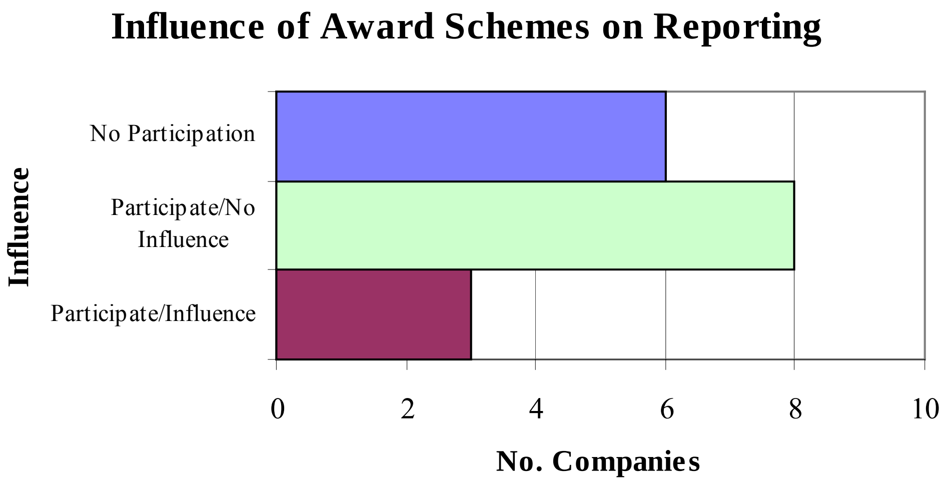

Figure 2.3c Influence of Award Schemes on Reporting in the Sample Group

Public recognition, for example, resulting from an award, was discussed in the questionnaire. Companies stated overwhelmingly that they did not receive recognition for reporting. However the remark that "reporting is just good practice – is recognition really necessary?" was repeated by several others. Many believed recognition was focussed instead on companies who do not report, particularly through 'name and shame' campaigns. Public pressure, where present, is an obvious form of motivation for companies who do not presently report.

Despite the lack of recognition received by companies who report, the quest to improve image was identified as a strong external driver (see Figure 2.3a). As described by one respondent, their image is "the selling point of the organisation". This concept was advanced further by a respondent who stated the primary driver to report is "brand reputation enhancement" which was described as the association of environmental consciousness with the brand name.

The presence of guidelines on reporting, while not an obvious tool to motivate reporting, exerts an effect nonetheless. For example, the complete absence of guidelines would serve to discourage companies who may consider reporting. While many of the companies in the sample group did not fully align with guidelines, many felt that at a minimum, guidelines inform their method of reporting. Figure 2.3d indicates several guidelines were used by the sample group, particularly the Global Reporting Initiative (GRI). The GRI was found to be particularly beneficial by the companies who use it.

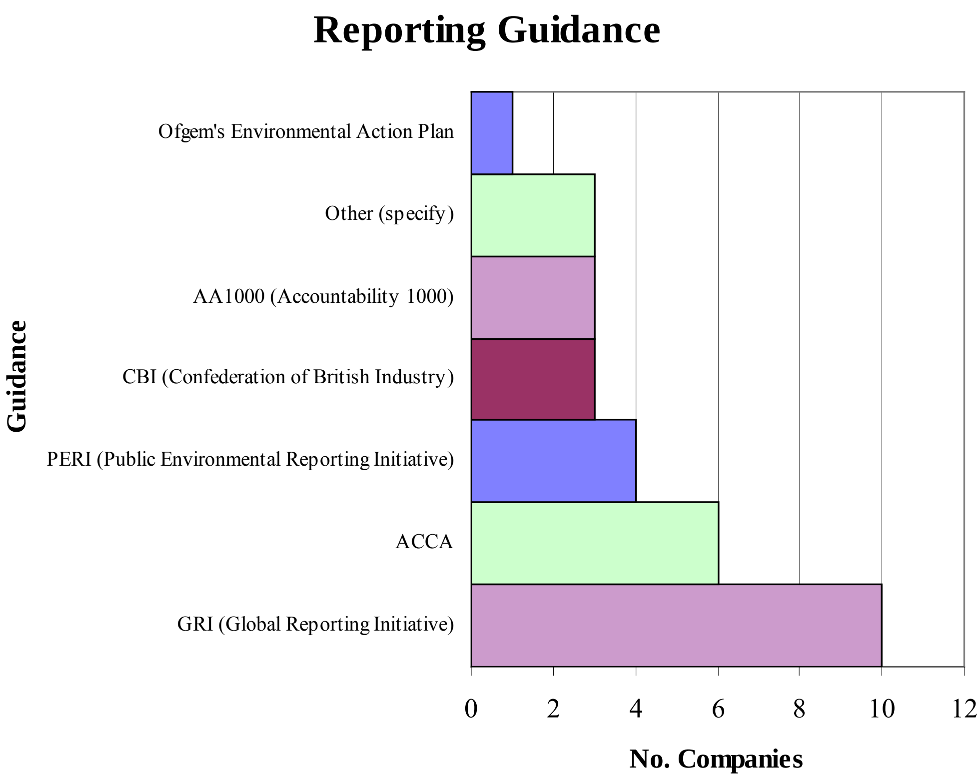

Figure 2.3d Use of Reporting Guidance in the Sample Group

Implications

The presence of external drivers to report, such as public pressure and a desire to improve company image, appear to be the precursors of internal drivers. Companies who do not report demonstrated a near complete lack of external drivers as many do not face extraordinary public pressure or a reputational risks from environmental or social impacts. This represents the logical progression of environmental reporting; those who face the highest risks will be the first to report, while those with low risks will require additional time to recognise the value of the exercise. The length of time required to understand the value of reporting is dependent upon the strength of external influences.

2.4 Reporting Benefits

The reporting assessment questionnaire served to highlight key perceptions among the sample group respondents on the relevance of reporting and the benefits attributed to it. External perceptions, pertaining to stakeholders and the benefits of reporting to each group, were also discussed.

Internal Perceptions

Key perceptions on the internal benefits of reporting were examined in the questionnaire. In general, as demonstrated in Figure 2.4a, companies who report ranked the exercise as beneficial. It was described by one as "more useful than the executive first thought it would be" in terms of addressing the company strategy in a cohesive way. In addition, the respondent believed the process of gathering data for the report allowed the company to assess future direction and identify potential areas for improvement. Another described reporting as a way to "challenge people and promote accountability".

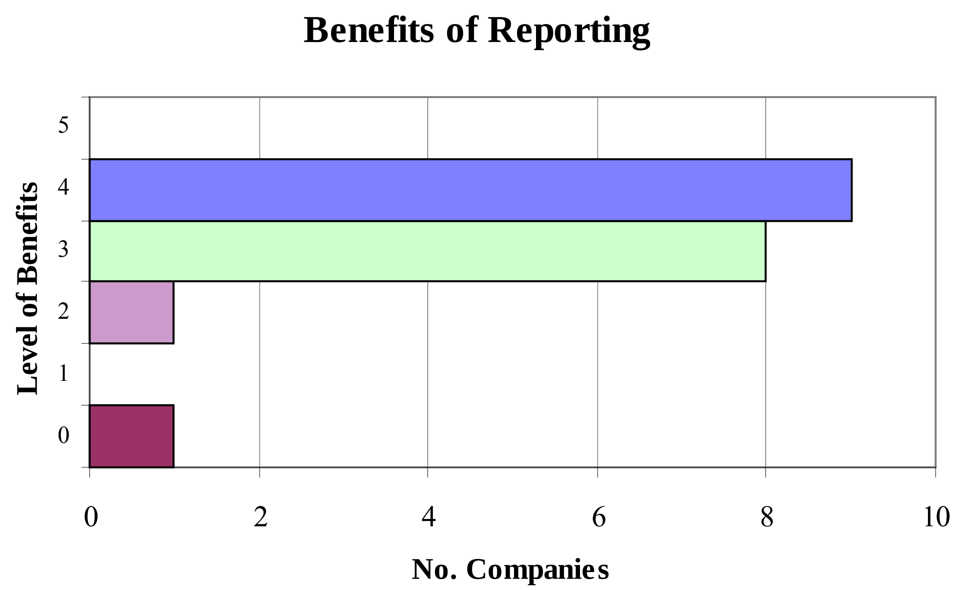

Figure 2.4a Benefits of Reporting in the Sample Group

In terms of achieving specific benefits, improved image and stakeholder relations were ranked the highest on average. Although the benefits of reporting were recognised, there was a significant level of scepticism, particularly with regard to capital markets. On a scale of zero to five, with five being highly beneficial, most companies rated increased access to capital markets as zero or one. Many feel the financial sector has yet to recognise the value of reporting.

Although the benefits of reporting were identified, both within an organisation and to external stakeholders, the relevance of the information to strategic decision making was found to vary widely between respondents. While several respondents considered the report to be highly relevant to decision making, others believed "there are a range of factors to be considered in decision making and the report is only one part of the process". A number of respondents discussed how decision making drives reporting (as opposed to the reverse) and the report is merely the "by-product of a good corporate governance process". For those respondents the presence of a public report does not appear to be a strong driver influencing strategic decision-making.

External Perceptions

An understanding of the report key audience is an important factor which is often overlooked. The interests of stakeholder groups, including investors, employees, government, NGOs, customers and the local community, among others, vary considerably and while some may focus on one specific aspect of reporting, these may be irrelevant to another stakeholder group. Each major stakeholder group was listed in the questionnaire and respondents were asked to identify the key audience(s) of their report. Several respondents appeared to have a focussed approach and target their report to a select number of stakeholders. However, as illustrated in Figure 2.4b, over half of the respondents identified five or more of the stakeholder groups as the key audience.

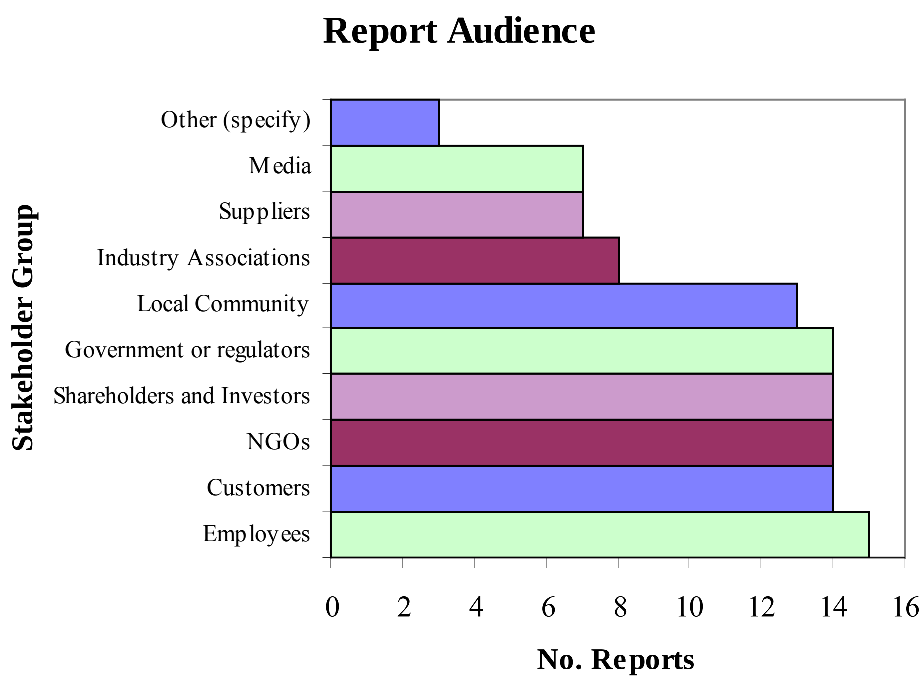

Figure 2.4b Report Audience

The issue of the reporting audience was further advanced and respondents were asked to described the benefits of reporting to each stakeholder group on a scale of zero to five. While it is true that stakeholders vary in importance between companies, the survey results did not exhibit a clear trend as to which groups benefited most from the process. Many companies expressed a degree of cynicism on the benefits to stakeholders with one company remarking that stakeholders "just tick the box when the report is completed".

The large report audience and the absence of a clear trend on stakeholder benefits seems to indicate a lack of understanding by companies of the needs and expectations of stakeholders. While many respondents were confident in identifying the key audience and the benefits for each group, surprisingly few companies actively consulted with stakeholders. One respondent said "we only report the information that is relevant to us" and another mentioned they "wonder how many stakeholder groups actually read the report". The majority of companies who report do not formally engage with stakeholders. In general, feedback is a one-way process limited to response cards and the web site (mainly visited by students and research groups).

Implications

Internal perceptions discussed in the questionnaire may be considered accurate given the position of the respondents. However, the responses pertaining to stakeholder perceptions may indicate a lack of understanding of the reporting audience, the benefits to stakeholders and the value of stakeholder dialogue.

2.5 Regulation Debate

As described in the Business in the Environment 5th Index of Corporate Environmental Engagement, the utilities sector, comprising electricity, gas and water companies, are "heavily regulated". This factor, combined with an above average public concern of environmental impacts, has resulted in a high incidence of reporting in the sector.

Statutory reporting requirements affect many of the companies in the sample group. The questionnaire indicated a large number of companies report to more than one regulatory agency. In addition, an overwhelming majority of companies who do publicly report, advance the process further by reporting on compliance status in their public reports.

The level of regulation in the sector sparked a number of comments from the sample group. Respondents were asked how Ofgem could build public confidence in reporting and/or promote the practice. While the answers provided a reasonable level of constructive feedback (incorporated in Appendix C), they also highlighted the issue of regulation and role of Ofgem.

Many respondents remarked on the high level of statutory reporting requirements and the general opinion that the utilities sector is comparatively advanced in environmental reporting. The role of Ofgem was cited by many to be one of encouraging competition. The practice of reporting, while providing a diverse range of benefits, is viewed by several as a competitive advantage. This is particularly true among those organisations who actively market their environmental and social accountability. Therefore, while several respondents indicated guidance on reporting would be beneficial, many expressed negative opinions on statutory reporting as it could discourage innovation and limit competition. It was emphasised that "it is important that reporting remains fluid and permitted to change over time". The issue of reporting guidance will be further discussed in section 2.6.

Implications

While negative feedback was focussed on over-regulation, several respondents believe there could be a role for Ofgem in promoting environmental reporting. However, they stressed that 'promotion' should be in the form of support rather than statutory obligations. As described by one respondent, the role of Ofgem is to "find a way to introduce little carrots".

2.6 Reporting Dilemmas

While the questionnaire provided valuable insights into reporting, it also highlighted a number of dilemmas, both within companies who report and by stakeholders who increasingly request comparable information. The standard of reporting, environmental and social performance and the implications of the wider agenda, form key dilemmas to be reviewed in this section.

Standard of Reporting

As a relatively recent addition to corporate reporting, the environmental report remains a constantly evolving practice. While several organisations choose to fully adopt existing reporting guidance, such as the GRI or EMAS requirements, the majority of companies use guidelines to inform their own models and approaches.

Several respondents stated that additional reporting guidelines would be helpful to companies who do not presently report and would act as a form of encouragement. As stated by one respondent, "developing a standard within this industry may help promotion of environmental reporting in general".

While guidelines have an obvious role in the reporting process, another respondent "wonder[ed] if guidelines are keeping up with the pace of reporting". The difficulty of maintaining current guidance in such a dynamic field was emphasised by a respondent who believed "the field is moving toward corporate social responsibility reporting and guidelines tend to be past event". In light of these issues, many companies use guidelines as a source of reference only and focus instead on reporting in a manner appropriate to the individual company.

Although guidelines attempt to provide a general reporting standard, the result is an array of reporting practices. The request for information by stakeholders is addressed, but the desire for relevant and comparable information is not always achieved. Benchmarking or the use of key performance indicators, allows companies to be "judged on a level playing field" as described by several respondents. While the process of benchmarking is also in a state of evolution, a number of indices have been established in recent years.

Among the respondents, benchmarking was generally viewed as a favourable exercise, and believed by some to provide a competitive advantage. However, difficulties were identified such as the selection of indicators that are robust and meaningful and yet address the diversity of operations and constraints within the sector.

Performance Vs. Reporting

The issue of performance was raised in several parts of the questionnaire. For example, when asked if companies should receive greater public recognition for reporting, responses suggested performance should be rewarded instead. Similarly one respondent said, "strictly, the issue should be environmental performance. Environmental reports need to present information about performance clearly and honestly and in a way that allows the company to be judged fairly against others". Evidently, the consensus is to produce a report that adequately reflects performance rather than a public relations exercise. The difficulty is ensuring the report is viewed by stakeholders as credible and accurate.

Verification of part or entire environmental reports is increasingly being adopted by companies to convince audiences of content accuracy. In the KPMG International Survey of Environmental Reporting 1999, verification was most prevalent in the chemicals and synthetics, oil and gas and utilities sectors. In general, the survey found 18% of the largest 250 companies in the world produce a statement of report verification. Within the sample group of this study, thirteen companies were found to have undertaken verification of part or all of their environmental report.

Despite the widespread incidence of verification, opinions varied on the value of the exercise. One respondent remarked, “External verification is not the key issue…it is meaningful benchmarking", while another concluded there was no need to undertake a full verification as stakeholders were not interested in all of the data.

Wider Agenda

As discussed, environmental reporting is a dynamic process, reflecting increasingly sophisticated stakeholders and market drivers. The recent publications of the Global Reporting Initiative Sustainability Reporting Guidelines highlights the growing trend to report on social, economic and environmental aspects. Within the sample group, while the majority produce an environmental report, a number of companies incorporate social, Corporate Social Responsibility (CSR) or sustainability reports. During the interviews, several companies mentioned their intention to move toward CSR or sustainability reporting in the future. In addition, a large proportion of companies believe integrated sustainability reporting will be a key trend in future reporting.

Politically, environmental reporting is on the agenda in the UK, being promoted by both Michael Meacher (Minister of the Environment) and Tony Blair. Within the sample group, of the eight companies who do not produce a separate report or report into a group report, four stated that a report may be a future consideration. This demonstrates the growing understanding within companies of the importance of reporting and reflects the wider social agenda.

3 Options for Ofgem's Future Actions

The purpose of this section is to discuss a number of options in relation to Ofgem's future actions to fulfil its commitment to encourage corporate environmental reporting, as stated in the *Environmental Action Plan*. Ofgem's primary objective is promoting fair competition and "bring choice and value to all gas and electricity customers[4]". Therefore, we will take into consideration the linkages - and potential trade-offs – between Ofgem's primary economic objectives and its secondary role to promote environmental issues.

Given the limited scope and timing of the survey and the complexity of the subject of corporate environmental (and social) reporting, it is not intended to provide a list of ready-to-use solutions but rather to identify the key issues that Ofgem should address in order to inform its future actions.

In light of our understanding of current approaches, best practice and future trends of corporate reporting, and having considered the opinions expressed by the company representatives interviewed in the survey, we have identified the following options for Ofgem's future actions:

- Promote the incidence of corporate reporting in the sector – ie. encourage non-reporters and new entrants to report on their environmental and social performance;
- Promote the quality of corporate reporting – ie. explore the link between 'more' reporting and 'better reporting';
- Promote benchmarking within the sector – ie. make available public information to allow meaningful comparison of environmental performance;
- Provide support to new reporters; and
- Explore the linkages between corporate reporting, underlying performance and environmental and social outcomes.

For each option, we discuss the following:

- <u>Rationale</u> - reasons that would justify Ofgem's intervention in order to achieve a publicly desirable goal;
- <u>Routes for action</u> – a series of alternative routes for Ofgem's action; and
- <u>Challenges</u> – critical aspects that raise potential dilemmas for Ofgem's intervention in light of its institutional role, objectives and core competencies.

During the course of our work some of the participants suggested possible actions that Ofgem could undertake to promote environmental reporting, which are presented in Appendix C.

[4] Cf. Ofgem website: http://www.ofgem.gov.uk/about/index.htm

3.1 Promote the Incidence of Reporting

3.1.1 Rationale

Although voluntary reporting is already commonplace within the sector, there are non-reporters. Without complete coverage of the sector, it will be difficult to generate information that is representative of the whole sector. Increasingly, comparable information will be required, which will only be useful if reporting is consistent across the sector. Increasing the number of reporters will ensure that any information that Ofgem provides, for example to consumers, will be complete for the sector.

3.1.2 Routes for Action

(a) Require all companies to report and specify what should be reported – “mandatory reporting”;

(b) Coordinate action with other regulatory bodies to increase reporting and introduce mandatory requirements – “mandatory coordination”;

(c) Require all companies to report, but allow the companies themselves or others to define what should be the reported – “mandatory framework”;

(d) Recommend all companies should report, working with the industry and others to determine what, and provide incentives for reporting (eg assigning awards, linking price regulation with environmental performance, reducing inspections etc) – “incentivised voluntary reporting”;

(e) Allow companies to decide if they would like to report, but provide reference to case studies, government communications, and sources of best practice – “Laissez-faire”; and/or

(f) *Applies to all the above options* - make available to the public the sector’s reporting “performance” (or level of compliance if the mandatory route is chosen) for the any of the above.

3.1.3 Challenges

- Ofgem is in a position to regulate on environmental issues. However, this could prove to be highly contentious if seen to be a unilateral decision by a regulator, as opposed to a co-ordinated policy across UK regulators. Moreover, the sector already perceives itself to be heavily regulated;

- Corporate reporting is an expensive exercise – particularly for new entrants or small companies who may not have adequate resources and skills. The benefits of reporting are not recognised by all operators and are only achievable in the medium/long-term. Therefore, requiring companies to increase their reporting practice could ultimately result in price increases for consumers. Ofgem’s pursuit of environmental objectives may negatively impact the regulator’s economic and social objectives;

- There are various disclosure requirements, but no generally accepted “standard” for what should be included within stand-alone environmental reports;

- Environmental reporting is seen by many companies as a potential competitive advantage. Mandatory requirements could be a disincentive to reporting innovation - which could be considered important in an evolving practice;

- There are wide ranging views on the benefits and roles of environmental reporting. For industry wide acceptance, a "core set" of common parameters would be needed. Companies may argue that this will reduce the quality of reporting to the minimum; and

- Defining such a core set would probably require a stakeholder consultation process – for example, what a consumer may be interested in will not be the same as a market analyst.

3.2 Promote the Quality of Reporting

3.2.1 Rationale

There is already wide uptake of reporting in the sector, however, the general lack of comparability of reports reduces the usefulness of information to stakeholders. Increasing the quality of environmental reporting in the industry (eg defining the scope of reporting and the information to be reported) would ultimately encourage improvements of environmental performance and provide better information to consumers and other stakeholders. In the future, non-financial performance will be more important to stakeholders. If, for example, consumers were to be presented with environmental performance indicators alongside tariffs, a high quality of reporting would be required.

3.2.2 Routes for Action

(a) Require and specify what a report should contain (the subjects), which pieces of information should be reported (the KPIs - Key Performance Indicators) and how they should be reported (the derivation of the KPIs – how they are measured / calculated / aggregated etc) – "mandatory reporting";

(b) Require companies to use common standards of reporting for specified KPIs, but allow the companies or others to define these – "mandatory framework";

(c) Recommend that all companies report a common core set of KPIs using common derivation methods, providing incentives and guidance – "incentivised voluntary reporting";

(d) Recommend that all companies report subjects and KPIs but allow each company to determine what is important to them – "laissez-faire"; and/or

(e) *Applies to all the above* - encourage companies to obtain independent verification of their reports to improve stakeholder confidence in the information provided and facilitate informed consumers' choice.

3.2.3 Challenges

- Despite the fact that there are many common elements that are typically reported and there is common understanding of the key issues within the sector, there is a lack of consensus, either nationally or internationally, as to what an environmental report should contain;

- Implementation of international guidelines or industry-based guidance on environmental reporting could require significant investments, in terms of required knowledge and resources, particularly for small companies and new entrants. Again, promoting environmental objectives could have significant implications for Ofgem's economic and social objectives (eg traditionally disadvantaged consumer groups can be seriously affected by increases in price levels); and

- Requiring the implementation of environmental reporting standards or "best practice", however defined, could represent a risk in terms of distortion of competitiveness.

3.3 Promote Benchmarking Within the Sector

3.3.1 Rationale

Availability of meaningful sector data would facilitate best practice sharing, provide recognition to leaders and allow new entrants and small companies to deepen their understanding of the benefits of environmental reporting. Moreover, it would encourage consumers to base their decision on environmental performance, as well as on tariff differentials.

3.3.2 Routes for Action

(a) Require all companies to submit specific information to Ofgem based on pre-defined sustainability KPIs and make the resulting 'league-table'- publicly available (publish a report and/or make it available on Ofgem's website) – "mandatory requirements";

(b) Require all companies to regularly submit information on their environmental performance to Ofgem, or others, but allow them or others to determine the most appropriate KPIs – "mandatory frameworks";

(c) Recommend that all companies report a common core set of KPIs using common derivation methods, providing incentives and guidance – "incentivised voluntary reporting" (note this is the same as in 5.2.2.c); and/or

(d) Let others define the benchmarks, such as through indices (eg BiE) - 'laissez-faire'.

3.3.3 Challenges

- "Benchmarking" is open to interpretation. There is no consensus in the international community on which areas/items sustainability KPIs should focus on;

- Even within the gas and electricity industry, there is no consensus on a meaningful, robust and widely applicable benchmarking scheme. Companies in the sector are diverse (eg suppliers vs. generators) and have very different environmental issues and impacts. The choice of the relevant parameters would to some extent pre-determine the results. Therefore these could be highly controversial; and

- Given its core competencies and role, is Ofgem the best actor for defining a sustainability benchmarking scheme or providing benchmarking information to the public? Would the benchmarking exercise be credible?

3.4 Provide Support to New Reporters

3.4.1 Rationale

The sector is dynamic, with new entrants to be expected. There are a range of sizes of companies, with various degrees of ownership. Both established companies and new entrants may be new to reporting and require support in how to capture performance information and to report it.

3.4.2 Routes for Action

(a) Work with new reporters to help them to report, for example through workshops;

(b) Commission and provide guidance on the “what and how” of reporting, perhaps with case studies;

(c) Provide reference to other third party sources of guidance;

(d) Leave it to the industry associations or others to provide such guidance, where necessary; and/or

(e) Do not get involved in guidance.

3.4.3 Challenges

- Providing guidance on environmental issues is not Ofgem’s core competency. Even if work was commissioned by Ofgem, without careful stakeholder engagement, it may not be credible with regulated companies;

- Any guidance or reference to sources of guidance, needs to consider the other national and international developments in this field. There is a risk of adding to guidance without adding anything new; and

- Depending on Ofgem’s stance on the earlier options, then some form of guidance could be critical, for example in determining which parameters are reported and how they should be calculated.

3.5 Explore the Linkages Between Corporate Reporting, Underlying Performance and Environmental and Social Outcomes

3.5.1 Rationale

Ofgem's economic, environmental and social responsibilities require a balance between economic (eg price control), environmental (eg emission control) and social (eg fuel poverty) objectives. It is clear to Ofgem that, in some cases, promoting an economic objective, such as low price for domestic use of energy, could results in negative environmental impacts (eg increased consumption and therefore increased pollution).

There is a need to deepen the understanding of the linkages between environmental reporting, corporate environmental performance and social outcomes. In other words, is environmental reporting ensuring improvements in environmental performance? Is this generating benefits for the society?

3.5.2 Routes for Action

(a) Undertake further research on the linkages between environmental reporting, environmental performance and social outcomes;

(b) Consult with other public bodies (eg regulators, academia, professional organisations, etc); and/or

(c) Promote wider stakeholder engagement within the industry.

3.5.3 Challenges

- Balancing economic, environmental and social dimensions in business activities is the challenge for an effective sustainability policy. However, there remains an open debate on how sustainability should be achieved; and

- Very often the activity of corporate reporting is not embedded in an environmental management system. The environmental report tends to become a public relations exercise to improve the corporate image by offering 'ad hoc' selected information which has no effect on corporate performance.

Appendix A – Reporting Assessment Questionnaire

Ofgem
Review of Environmental Reporting

Questionnaire

Company information		
Company name		…………………………………………………………………………
Address		…………………………………………………………………………
Person(s) interviewed	Name:	…………………………………………………………………………
	Function:	…………………………………………………………………………
	Name:	…………………………………………………………………………
	Function:	…………………………………………………………………………

General

1 Describe the type of public report(s) that are produced by the company *(tick as many as appropriate)*

a) How often is each report published? *(tick as many as appropriate)*

	Report	Annual	Other
☐	Environmental Report	Annual	Other:
☐	Social Report	Annual	Other:
☐	Community Report	Annual	Other:
☐	Sustainability Report	Annual	Other:
☐	HSE (Health, Safety and Environment) Report	Annual	Other:
☐	Joint Environmental and Social/Community Report	Annual	Other:
☐	Financial Report only	Annual	Other:
☐	Other (specify):	Annual	Other:
☐	Financial Report including information on:	Annual	Other:
☐	Environment		
☐	Community		
☐	Health and Safety		

2 In which format are the company report(s) made available?

☐ Hard copy
☐ Web Report
☐ Summary version
☐ Other (specify):

3 If an environmental report (stand-alone or in combination with other areas) is <u>not</u> produced, please explain why

……………….…………………………………………………………………………………...

a) Is the company considering producing any of the above reports in the future?

☐ No Yes (specify):

b) Is the company planning any other significant initiatives in the future?

☐ No Yes (specify):

If you provided an answer this question, only questions marked with a ☞ will apply to your company (Nos. 9, 11, 19, 21, 24-30, 37, 38).

In the remaining questions, unless otherwise stated, the term ‘report’ includes stand alone public corporate reports: environmental, social, sustainability, community, HSE, or a combination of these.

4 When was the first report published?

…………………………………………………………………………………………….

5 At what levels are report(s) produced? *(tick as many as appropriate)*

☐ Group / Head Office / Corporate National

☐ Divisions Sites

6 Does the scope of the report(s) include:

☐ All managed & controlled entities

☐ All minority holdings/Joint Ventures

☐ All directly controlled activities/impacts

☐ All indirectly controlled activities/impacts

7 Who is responsible for producing the report(s)?

…………………………………………………………………………………………….....

a) Who is responsible for signing off the report(s)?

…………………………………………………………………………………………...

8 How relevant is reporting to strategic decision making?

Low Relevance	0	1	2	3	4	5	High Relevance

9 Is there a board member who has specific responsibility for environmental issues?

☐ No Yes (specify):

10 Describe the level of third-party verification of the report(s)

Not verified	0	1	2	3	4	5	Completely verified

Partial verification

Content

11 Does your company have a written environmental policy?

☐ Yes No

12 Are environmental costs and liabilities included in the report(s)?

☐ Yes No

13 Quantitative data on environmental performance

	a) Does the report include quantitative data in following areas:	b) Is data from previous years included for comparison purposes?	
☐	Emissions to air	yes	no
☐	Releases to water	yes	no
☐	Waste management	yes	no
☐	Contamination of land	yes	no
☐	Use of raw materials and natural resources	yes	no
☐	Energy efficiency programmes	yes	no

14 Does the report(s) provide information on following areas?

☐ Customers special services (eg access, payments etc)

☐ Energy efficiency

☐ Fuel poverty

☐ Employees welfare (eg training, benefits etc)

☐ Community programmes

☐ Corporate Governance

☐ Company's values and/or business principles

☐ Other (specify):

15 Targets

☐☐	a)	Does the report provide quantifiable targets?	yes	no
☐☐	b)	Are timelines for targets included?	yes	no
☐☐	c)	Is progress against targets reported?	yes	no
☐☐	d)	Are reasons for meeting or not meeting targets discussed?	yes	no

16 Does the report(s) include 'bad' as well as good news?

☐ Yes No

17 Which of the following stakeholder groups would be considered a key audience of the report(s)?

- ☐ Shareholders and investors
- ☐ Government or regulators
- ☐ Suppliers
- ☐ Customers
- ☐ Industry Associations
- ☐ NGOs
- ☐ Media
- ☐ Local community
- ☐ Employees
- ☐ Other (specify):

18 Was there a process of stakeholder engagement used in preparing the report(s)? Is yes, which of the above groups were involved?

……………………………………………………………………………………………….
……………………………………………………………………………………………….

Environmental and Social Reporting Guidance and Standards

19 Which statutory agencies do you report to?

- ☐ EA
- ☐ DETR
- ☐ HSE
- ☐ Other (specify):

20 Do you report on your compliance status?

☐ Yes No

21 Does the company subscribe to any of the following international initiatives?

- ☐ CERES Principles
- ☐ ICC Charter for Sustainable Development
- ☐ UN Global Compact
- ☐ OECD Guidelines for Multinational Enterprises
- ☐ Global Sullivan Principles
- ☐ Other (specify):

22 Have any recognised guidelines been used to develop the report(s)?

a) If yes, how helpful are the guidelines?

☐	GRI (Global Reporting Initiative)	Not at all	0	1	2	3	4	5	Very
☐	ACCA (Association of Chartered Certified Accountants)	Not at all	0	1	2	3	4	5	Very
☐	PERI (Public Environmental Reporting Initiative)	Not at all	0	1	2	3	4	5	Very
☐	CBI (Confederation of British Industry)	Not at all	0	1	2	3	4	5	Very
☐	AA 1000 (Accountability 1000)	Not at all	0	1	2	3	4	5	Very
☐	Ofgem's Environmental Action Plan	Not at all	0	1	2	3	4	5	Very
☐	Other (specify):	Not at all	0	1	2	3	4	5	Very

23 Does the company participate in a reporting awards scheme (eg ACCA, BiE)?

☐ No Yes (specify):

a) If yes, has the awards scheme influenced the company's reporting?

☐ No Yes

24 Do you think industry benchmarking on environmental reporting would be useful?

☐ No Yes (explain):

Financial Reporting Guidance and Standards

25 Does the company discuss their position on environmental and / or social issues in the financial report?

☐ No Yes (specify):

26 Were there any environmental costs and/or liabilities that were required to be disclosed or provided for?

a) Was this information disclosed or provided for under:

☐ Capital expenditure Contingent liabilities

☐ Capital commitments Other (please specify)

Supporting Management Systems and Standards

27 Has an environmental management system been implemented throughout the company?

☐ No Yes, partially implemented

☐ No, but the company plans to in the future Yes, fully implemented

☐ **28** **Have any of the following management systems and standards been adopted?**

a) Please describe the level of support the management system provides for reporting

☐ EMAS	Low	0	1	2	3	4	5	High
☐ ISO14001	Low	0	1	2	3	4	5	High
☐ ISO9000	Low	0	1	2	3	4	5	High
☐ SA8000	Low	0	1	2	3	4	5	High
☐ OSHA18001	Low	0	1	2	3	4	5	High
☐ TQM	Low	0	1	2	3	4	5	High
☐ Other systems:	Low	0	1	2	3	4	5	High

29 **Has the company achieved accredited certification?**

☐ No

☐ If yes, specify type of certification: Year: Certifier's name:

30 **If a certified management system has <u>not</u> been adopted, is there a system for data collection?**

☐ No Yes (specify):

Drivers and Benefits

31 **What are the main drivers to produce the report(s)?**
(tick as many as appropriate)

☐ Meet voluntary reporting commitments
☐ Meet Socially Responsible Investing (SRI) requirements
☐ Inform or anticipate future legislation
☐ Gain competitive advantage
☐ Improve company image
☐ Address information requests of stakeholders
☐ Identify areas for potential improvement of environmental / social performance
☐ Respond to public pressure
☐ Identify areas for potential cost reduction
☐ Reinforce company values
☐ Responsibility for transparency and accountability
☐ Other (please specify):

32 How successful do you believe reporting is in achieving each of the following benefits?

☐	Reduced risk	Not at all	0	1	2	3	4	5	Very
☐	Improved stakeholder relations	Not at all	0	1	2	3	4	5	Very
☐	Improved image	Not at all	0	1	2	3	4	5	Very
☐	Improved performance	Not at all	0	1	2	3	4	5	Very
☐	Increased access to capital market	Not at all	0	1	2	3	4	5	Very
☐	Environmental and social benefits	Not at all	0	1	2	3	4	5	Very
☐	Attract/retain employees	Not at all	0	1	2	3	4	5	Very
☐	Other (please specify):	Not at all	0	1	2	3	4	5	Very

33 How beneficial is, in general, the activity of reporting for your company?

Not Beneficial	0	1	2	3	4	5	Very Beneficial

34 How would you define the level of benefits of reporting for each of the following stakeholder groups?

Shareholders and investors	Low	0	1	2	3	4	5	High
Government or regulators	Low	0	1	2	3	4	5	High
Suppliers	Low	0	1	2	3	4	5	High
Customers	Low	0	1	2	3	4	5	High
Industry Associations	Low	0	1	2	3	4	5	High
NGOs	Low	0	1	2	3	4	5	High
Media	Low	0	1	2	3	4	5	High
Local community	Low	0	1	2	3	4	5	High
Employees	Low	0	1	2	3	4	5	High
Other (specify):	Low	0	1	2	3	4	5	High

35 Does your company receive sufficient public recognition for reporting?

☐ Yes No

a) From whom?

……………………………………………………………………………………………………..

Trends and Future Developments

36 Which of the following areas do you think should be part of reporting in the future?

- ☐ Integrated Sustainability Reporting (economic, environmental and social)
- ☐ Intellectual Capital
- ☐ Intangible Assets
- ☐ Corporate Values/Code of Ethics
- ☐ Other (specify):

37 Could Ofgem help to build greater public confidence in company reporting?

☐ Yes No

(Please explain):……………………………………………………………………………………..

38 How could Ofgem promote environmental reporting?

……………………………………………………………………………………………………..

Please provide any additional information you feel is relevant to the study.

……………………………………………………………………………………………………..

……………………………………………………………………………………………………..

……………………………………………………………………………………………………..

……………………………………………………………………………………………………..

……………………………………………………………………………………………………..

Thank you very much for your time

<u>Please send this questionnaire to:</u>

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Appendix B – Sample Group of Companies

1 24Seven
2 AES Drax Power Ltd
3 Amarada Hess Ltd
4 Aquila Energy Ltd
5 British Nuclear Fuels plc
6 British Energy plc
7 Centrica plc
8 Cinergy Global Power UK Ltd
9 CPL British Fuels
10 Enron Corp.
11 Gaz de France Solutions Ltd
12 GPU Power UK
13 Innogy plc
14 Lakeland Power Ltd
15 Lattice Group plc
16 London Electricity plc
17 National Grid Group plc
18 Northern Electric plc
19 Powergen UK plc
20 Scottish and Southern Energy plc
21 Scottish Power plc
22 SEEBOARD plc
23 South East London Combined Heat and Power Ltd
24 Slough Energy Supplies Ltd
25 TXU Europe Group plc
26 Unit Energy Ltd
27 United Utilities plc
28 Western Power Distribution plc
29 Yorkshire Electricity Group plc

Appendix C – Summary of Key Recommendations Provided by Survey Respondents

How could Ofgem promote environmental reporting?

- Produce a report similar to the one produced by the Electricity Association (another level of assurance). This could include sector data, as well as company specific information to allow benchmarking.
- Produce an Ofgem environmental reporting to develop experience and credibility in the field.
- Develop sector-specific reporting guidelines or industry benchmarking (benchmarking should include a simple framework using existing data sources).
- Develop an environmental section on the Ofgem website. The website could include the outcome of the Environmental Reporting Position Paper and information to help customers distinguish between the environmental achievements of different companies. In addition, company environmental reports and links to regulated companies could be included.
- Offer a voluntary report verification process and display the results on the Ofgem website.
- Provide assistance to smaller companies in developing a report.
- Provide direct incentives to companies who improve disclosure (eg the Environment Agency is looking at ISO14000 as a mechanism for reducing inspections).
- Develop an awards scheme to improve public confidence.
- Define a core set of indicators and reporting criteria.
- Investigate incentives to change customer behaviour. Perhaps develop a link between customers energy bills and company environmental performance.
- In partnership with the Environment Agency provide a commentary each year on electricity and gas consumption.
- Consider a condition that requires companies to produce statement with minimum broad policies. The remainder of the content could be voluntary.