

## ESOS: an opportunity, or just more red tape?

The EU's latest energy initiative, called ESOS, comes into play this year. It 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 worthwhile ROIs, argues Matt Handley, deputy chair of Gambica's\* Variable Speed Drives group and product manager at Mitsubishi Electric.

**T**he Energy Savings Opportunity Scheme (ESOS) is a new piece of EU legislation which requires member states to introduce mandatory energy audits for "large enterprises". The scheme will affect more than 9,000 of the UK's largest companies. If your company is one of them, you will need to act this year to ensure compliance. Failure to do so could lead to significant fines – up to £50,000, 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 £5,000–50,000.

And there is more:

- you have to undertake an energy audit conducted by an approved auditor by 5 December, 2015;
- you will have to submit the necessary paperwork to the Environment Agency about your ESOS audit; and
- organisations affected by ESOS must carry out an ESOS assessment at the end of each subsequent four-year compliance period, ending on 5 December, 2019, 2023 and so on.

Organisations qualify if, on 31 December, 2014, they met the ESOS definition of a "large undertaking", and either employed at least 250 people, or had an annual turnover of more than €50m as well as having an annual balance sheet of more than €43m.

If your employee numbers or turnover and balance sheet totals for the year ending either on 31 December, 2014 (or in the 12

months preceding this date) exceed these levels, then you qualify.

The ESOS audit covers how a business uses energy in:

- transport;
- buildings; and
- industrial operations and processes

The auditor – you must ensure that they are ESOS-approved – will undertake a comprehensive analysis of your business and provide a report outlining, among other things, recommendations to save energy.

The audit is mandatory; carrying out any recommendations is not!

The audit analyses your energy consumption across different buildings and/or manufacturing processes and offers suggested savings on capital spend projects with associated return-on-investment (ROI) calculations.

It must include specific energy consumption performance against production and/or weather conditions.

### Red tape or opportunity?

Whether ESOS is a business opportunity or merely red tape depends on 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 9,000 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 the fines. The choice you subsequently make determines whether ESOS becomes a red-tape activity or provides you with a business opportunity:

- **Option 1: the red tape approach** Tick the box, get the audit done, and file the paperwork for compliance only, and do not undertake any energy-saving recommendations.

- **Option 2: the business opportunity approach**

Tick the box, and choose 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 a good ROI.

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

This raises the question: How can businesses capture the business opportunity while complying with ESOS? Generally, the smart advice is to choose the "Tick the box plus..." approach – go beyond compliance alone and select a good partner to help you to maximise the possible savings. ■

\* Gambica is the trade association for the automation, control, instrumentation and laboratory technology sectors in the UK.  
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