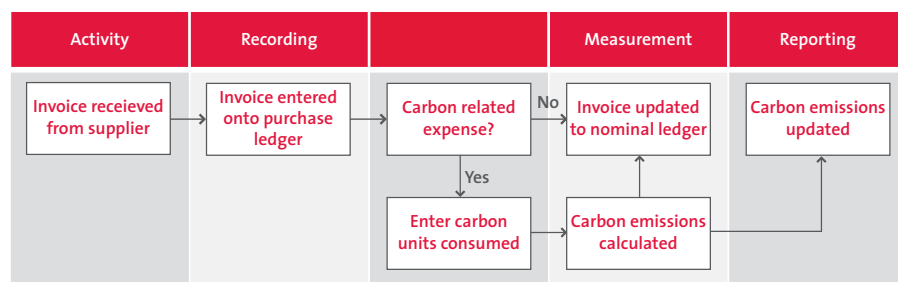


Accounting for carbon emissions (ACE)

In April 2010, the UK Government released new legislation on carbon emissions. The CRC Energy Efficiency Scheme is key to Britain's commitment to reduce carbon emissions by 80% by 2050. This legislation - applicable first to larger businesses and likely to filter through to the rest of the economy - will benefit those organisations that can easily gather and measure information relating to their carbon footprint. Our Accounting for Carbon Emissions (ACE) functionality - the first of its kind - provides your business with the tools to do just that.



Incorporating carbon emissions data to each transaction is straightforward, adding just seconds to each standard Purchase Ledger transaction as shown in this workflow comparison (left).

A similar methodology is also applied to the processing of travel expenses in order that you can capture the emissions arising from train, car, and air travel. Web-enabled software provides the opportunity for every employee to contribute to the carbon footprint calculation.

What's the CO₂ challenge?

Ambitious targets

Most of us are familiar with the Government's carbon commitment to cut greenhouse gas emission by 80% by 2050. From the recent switchover to energy-saving light bulbs to increased tax on motor fuels, we can be certain that the carbon reduction drive will play an increasingly dominant role in our lives - both at home and at work.

So where does this leave my business?

Over the last few years, businesses have faced increasing pressure to report on their carbon emissions.

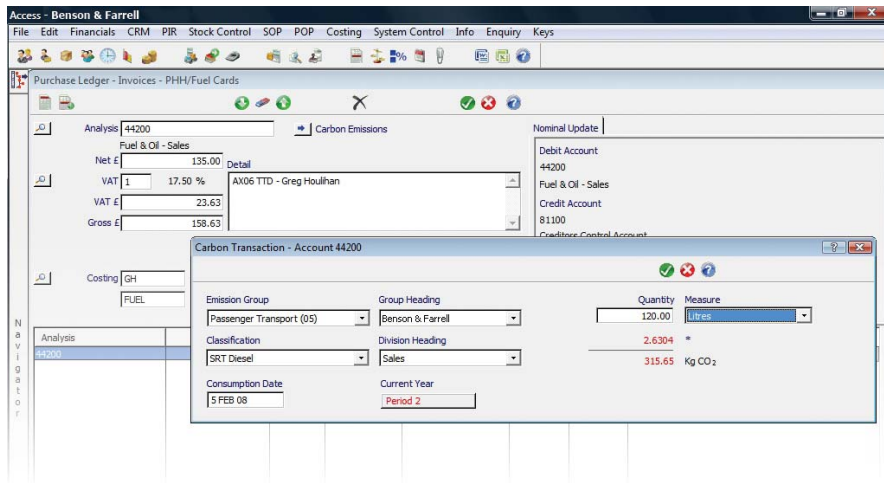
Examples include the Emissions Trading Scheme (an international 'cap and trade' scheme for the abatement of air pollution) and the Climate Change Levy, set up to encourage business and public sectors to improve energy efficiency and reduce emissions of greenhouse gases through a price based signal on energy usage. But until now, there has been no mandatory requirements for UK businesses to reduce their carbon emissions output.

Guidelines released

In April 2010, the Government introduced new legislation in the form of the Carbon Reduction Commitment

Key benefits

- Increase business opportunity
- Demonstrate thought leadership
- Cut costs
- Empower staff to reduce CO₂
- Prepare for reporting standards
- Take advantage of incentives



Carbon transaction window: capturing carbon values is quick and easy. Transaction types set to 'account for carbon' draw on information held within the nominal ledger, pre-populating the majority of fields such as 'classification' and 'emission group.'

Energy Efficiency Scheme (CRC). During its initial phase, firms using more than 6,000 MWh of electricity a year will be required to buy allowances equal to their carbon emissions from April 2011. By putting a price on carbon emissions, the CRC is designed to improve energy efficiency in large organisations.

Who will be affected?

An estimated 20,000 companies will be affected by the scheme in some way with 5,000 required to participate fully. Forthcoming legislation does not yet apply to small businesses, however, is highly likely that the scheme will eventually be rolled out to all UK organisations.

So why worry about it now?

The message from UK Government is clear. Whether you are required to register for the scheme now or further down the line, businesses with systems in place to measure your carbon emissions output will be best placed to maximise the opportunities. For example, participants within the CRC will have their performance published on an annual league table. Those companies ranking highest will receive a percentage of all monies raised through the sale of alliances - on top of the reputational benefits that come with being an environmentally responsible company.

Significant events

- October 2008 - Creation of Department of Energy and Climate Change – (DECC)
- November 2008 - the Climate Change Bill receives Royal Assent
- October 2009 - UK Government publishes clear guidelines as to how UK businesses should report on their carbon emissions, featuring a standard template for all UK businesses to adopt
- April 2010 - Government launches new legislation under the Carbon Reduction Commitment Energy Efficiency Scheme. Around 20,000 UK companies will be affected in some way with 5,000 required to measure and report on their carbon emissions by April 2011.

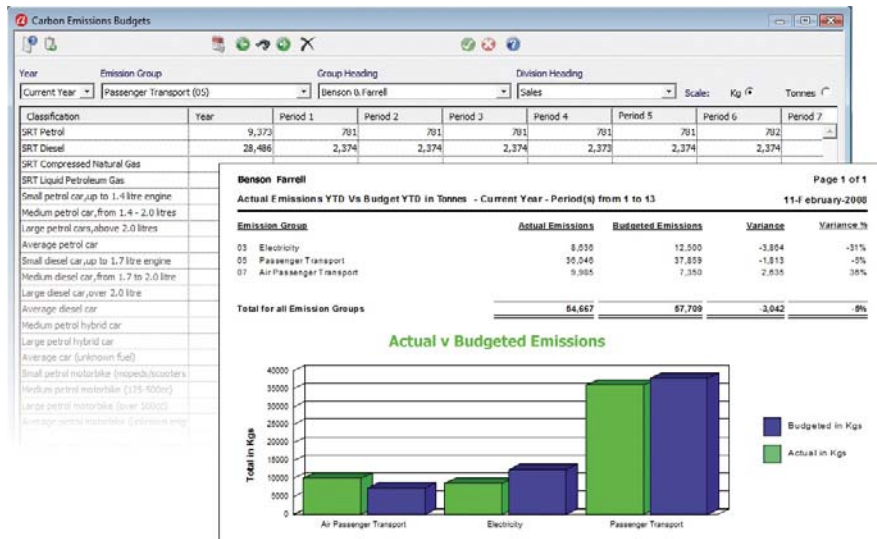
In addition, accounting institutions are already recognising the need to embrace environmental reporting as part of their role. In September 2009, 16 of the world's leading accounting bodies gave their seal of approval to the principles of the Prince of Wales' Accounting for Sustainability Forum. In summary, the very real threat of climate change is creating increasing pressure to make changes in business behaviours.

It all starts with reporting

Companies affected by this new legislation will firstly have to work out how much electricity was supplied through Half Hourly Meters during 2008. They will then need to monitor their emissions, cumulating in the submission of a 'footprint report' for the financial year 2010/11.

Option	Drawbacks
Website calculation tools	Designed for the individual; do not accommodate the full needs of business
Third-party module	Labour-intensive data reconciliation Training overheads while users become familiar with new software May be aimed solely at large enterprises involved in conforming to carbon emissions trading (i.e. EU European Trading Standards)
Bespoke system	Considerable IT resource and cost
Excel spreadsheet	Data has to be re-keyed from one system to another, compromising the accuracy of data input and any subsequent reports.

Other CO2 emissions measurement tools and their drawbacks. All involve the creation of new business processes and duplication of data entry.



Budgeting & reporting: graphical reporting provides at-a-glance views of progress, enabling you to see the effect of your carbon reduction policies and to take further action to reduce your footprint. Allocate budgets at any level you require, from company-wide down to department and individual.

Among other things, this report will need to show how much energy supply the business is responsible for and which parts are included in the CRC. Without a system that enables this information to be easily gathered and analysed, companies face a potentially heavy administrative burden.

Having preempted the need for such a system, we assessed the reporting tools already on the market and concluded none were entirely satisfactory. (See table). This led to the development of our own measurement and reporting tool - Accounting for Carbon Emissions (ACE). This functionality, the first of its kind, was met with unanimous support from the judges of the 2008 Accountancy Age Awards who voted it "a clever product...superbly timed" and which enabled Access to win best 'Mid-tier Software Package' (an award we went on to win again in 2009).

What does it do?

ACE captures all the carbon emissions data associated with your common business activities - such as power usage, travel and distribution costs. Unlike other tools, it extends from the processing of daily accounts transactions, so there's not need to modify your daily routine in order to capture carbon emissions data.

How does it work?

The system utilises a standard method for calculating carbon emissions and turns it into a corresponding carbon tonnage value. For example, when recording a utility bill, you simply add in the number of units used and the system calculates the rest. From your accountant's perspective, it really is just a case of entering a couple of extra fields when processing standard items such as purchase invoices.

Who can use it?

While it makes sense for the accounts department to record the majority of this information, anyone entering expenses with corresponding 'carbon counts' - for example, rail travel - can also enter this information via our web-based Access FocalPoint application or even their iPhone. Furthermore, all this data can be easily analysed via Excel or traditional Crystal reports and made available to people across your business via interactive graphical dashboards.

An accountant's perspective

In September 2009, 16 of the world's leading accounting bodies gave their seal of approval to the principles of the Prince of Wales' Accounting for Sustainability Forum. There is now positive recognition of the role of the accountant in reporting on carbon emissions.

Furthermore, recent reporting guidelines (October 2009) recognise the role that financial systems can play in carbon emissions reporting, stating 'ideally, Greenhouse Gas (GHG) reporting should be integrated into existing reporting tools and processes of your organisation.'

These guidelines also align the emissions reporting periods with the company's financial reporting periods. In addition to supporting both these requirements, the use of tools integrated within the accounts system also has the benefit of providing a full audit trail back to the source document or activity that created the carbon emission. All organisations involved in the CRC Energy Efficiency Scheme will have their 'footprint reports' audited at some stage and businesses will also have to make data collected for previous years available for assessment.

As a fully integrated part of our software, ACE automatically conforms to the high auditing standards set by the ICAEW.

I've captured the data... what next?

With this data in your system, you're free to analyse the information as you would any other area within your business. Real-time or period reporting is available, providing a wealth of

statistics that you can analyse by cost centre, department, even down to the individual (see 'Feature summary' for an example of some of the reports).

Business benefits

Companies who not only measure their CO₂ emissions but take action to reduce their output are set to benefit in more ways than one. For example, you could:

Influence buying decisions

It is likely that the ability to report on carbon emissions will become a prerequisite for mid-size companies wanting to trade with Blue Chips and in time, will influence decisions further down the supply chain. For example, large retailers are already advertising their 'green' credentials and will be putting pressure on their suppliers to fulfil their green criteria.

Selective suppliers for Tesco are also now providing carbon emissions information on their labelling and Tesco is looking to extend the scheme to cover a wide range of produce. It is also likely that many Plcs will want to include environmental responsibility as part of the criteria to select their preferred suppliers. So the ability to meet these demands for information is likely to give your business significant competitive advantage.

Save money

We're all guilty of leaving the lights on. But how many of us would feel more motivated to take a more environmentally responsible approach if we could actually see the impact of our actions on company running costs? ACE enables you to set carbon reduction targets and allocate KPIs to individuals and teams.

Online graphical dashboards enable your people to easily see how they're doing, empowering them to cut costs while monitoring their carbon footprint. For example, you could allocate a KPI to reduce electricity usage by department, or to individuals wishing to monitor their train/rail/road travel.

Demonstrate your commitment

Environmental pledges, however well-meaning, have greater gravitas when supported by accurate, timely metrics. With ACE, you can demonstrate your commitment to carbon reduction, not only to suppliers but to your internal staff. All reporting information can be made available via graphical reports, uploaded to your intranet or made publicly available via the internet.

The bottom line

One thing seems assured - the remit of the company accountant will be broadened further to include accounting for carbon emissions. For larger businesses, such as those required to participate in the CRC Energy Efficiency Scheme, this will happen sooner rather than later. Legislation aside, pressure is building from all sides to be mandate UK businesses to report on, and manage their company's carbon footprint. The organisations that can demonstrate that ability will be in a position to benefit from cost-savings and to elevate themselves above the competition.

Feature summary

- Calculates data from pre-defined and approved Defra tables
- Fully auditable with drill-down to source data
- Journal entries on-the-fly
- Ability to edit historical transactions already processed
- Ability to create a carbon entry without requiring a corresponding financial transaction (e.g. to monitor staff commutes)
- Entry of emission conversions to match specific industry processes
- Create and monitor carbon budgets by individual, company, department, etc.
- Periodic or on-demand information via standard reporting tools
- Graphical KPI monitoring of reduction targets
- Online entry of carbon-related expenses submissions

Standard reports

Over 30 included all with drill down facility, including:

Actual YTD vs Budget

Actual vs Actuals - Year on Year

By department, division and emission group (e.g. fuel / electricity)

By user-defined period and year

Current Year vs Budget

Last Year vs Budget

Who we are

Access will give you the advice, tools and clarity you need to make effective decisions, quickly and with certainty. As both a business-focused consultancy and a specialist software developer, we combine our innovative software with practical experience to deliver a solution that's exactly right for you and your business.

We believe your solution must be ready for the future, as well as right for today. Because your business will constantly evolve, we provide a software solution that grows with you. Our modular software covers a complete range of business, financial and administration processes and can be flexed to give you the precise view of your business that you need at any time.

With Access, you can be sure you've got the clarity you need to reach your business goals.

Further information

To find out whether your company is affected by this new legislation and for detailed information about preparing for the CRC Energy Efficiency Scheme, download a user guide from www.decc.gov.uk

For more information and detailed screen shots, visit www.theaccessgroup.com/software/management-reporting/reporting-carbon-emissions.aspx. For further information on the Access software portfolio, call us on **01206 322575**, email info@theaccessgroup.com or visit www.theaccessgroup.com