

Future challenges for our carbon strategy

We face challenges in the carbon reduction part of our carbon strategy.

As discussed in the progress section, the UK government's methodology on carbon accounting has changed since we set our strategy and we can no longer count our purchase of renewable energy or our generation of it, where we sell on the associated renewables obligation certificates (ROCs), as reductions against our footprint (please see the carbon footprint section for analysis on how this has impacted this year's footprint).

It's possible that the government's changes to the accounting methodology may result in a number of organisations, including our own, to cut back or stop the purchase of renewable energy if it offers no benefit in terms of corporate carbon reduction. The same risk applies to generating renewable energy. At present the sale value of the associated renewables obligation certificates (ROCs) improves the business case for investing in this technology, but if the ROCs are sold the generator cannot claim the carbon reductions.

While this simplifies the case for UK wide carbon accounting, it can present an issue for companies which want to invest to deliver their carbon reduction strategies. Clearly, generating renewable energy is a good thing and has economic value in terms of the direct energy purchase savings and the ROCs value and we will continue to do this. The challenge is to examine how this impacts on our carbon accounting and strategy. We will report progress on our website or in next year's report.

Another challenge we need to address in our revised strategy is the new Carbon Reduction Commitment (CRC). As a result of the Climate Change Act 2008, this is being introduced from 2010 to help meet the government's reduction targets. This introduces a mandatory climate change and energy saving scheme for the UK and our strategy needs to reflect the impact of this. We may have to alter future targets to reflect the differing emissions boundaries of the CRC from our overall footprint.

As well as the challenge to how we set, present and report against our reduction strategy, as set out above, there are other challenges facing us. The current downturn in the economy affects the amount of capital available to our business for non-regulatory activity, including money we want to invest in energy efficiency or renewable generation. Climate change and business' contribution to it in terms of carbon is an area of ever-increasing stakeholder focus. It's this increasing stakeholder scrutiny that drives the need for transparency and consistency in accounting for emissions.