

## Navigating ESOS and EED as a private equity firm

**The Energy Savings Opportunity Scheme (ESOS) is a mandatory scheme obligating large UK organizations to undertake energy efficiency audits of their buildings, industrial processes and transport every four years.**

ESOS is the UK's interpretation of the EU Energy Efficiency Directive (EED) meaning there are equivalent schemes that require compliance across all EU member states.

Private equity firms managing funds with several portfolio companies are often regarded as the 'highest parent' company, and therefore compliance risk sits with them. For many funds, this definition of highest parent also means that if one portfolio company is captured by the EED then all others are obligated too.

### Eligibility

A company must comply with ESOS if their UK operations met either of the following criteria on the qualification date of 31st December 2018:

- **Employs more than 250 people**
- **Has an annual turnover in excess of €50m or a balance sheet over €43m**

Note: there are slight variations in the qualification criteria for each EU country.

For funds registered in the UK, including portfolio companies registered in other EU nations states, compliance criteria sit with the highest parent company within each EU country.

### What are the benefits of compliance?

We believe that a comprehensive EED compliance program can drive savings to the bottom line, increase performance capabilities and eliminate reputational risk – and that the opportunity far outweighs the likely costs.

ESOS provides an ideal opportunity to calculate (or update) your carbon and energy baseline - and portfolio companies that consider energy efficiency initiatives a lesser priority or unnecessary spend can be encouraged by this regulation. In turn, private equity firms will benefit from energy efficiency improvements when seeking to demonstrate their commitment to ESG to their limited partners.

### Our approach

We have worked with several funds operating across Europe to understand compliance requirements. Our geographic coverage allows us to manage compliance across all EU nation states, ensuring that local companies are compliant in their respective regions.

- We use chartered energy engineers for all our site work which has led to our client's project implementation rates being significantly higher than government-reported averages.
- We also apply business thinking to procurement and delivery, encouraging our clients to aggregate projects and secure better contractual terms from suppliers.
- We're committed to realising the opportunity beyond compliance and we want to work with clients that share this vision.
- Guidance and arrangement of third party finance.

### For further information, contact:

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