Smart Energy Coalition

Joining Criteria



The Smart Energy Coalition is a global initiative led by the international non-profit Climate Group, bringing together over 100 businesses committed to measuring and reporting on energy efficiency improvements. Energy efficiency is climate critical, with the ability to deliver over 40% of the reduction in energy-related emissions needed to achieve global climate goals. **Smart Energy Coalition members are cutting costs, building jobs and scaling innovation by doubling down on energy efficiency.**

Join the growing group of members to showcasing business leadership and commitment to double energy efficiency, whilst driving climate action, fast.

To join the Smart Energy Coalition, companies must adhere to the following criteria:

1. Companies should have significant annual energy consumption of at least 0.025 TWh / 25 GWh / 25,000 MWh per annum.

    1.1. Companies with smaller consumption will be considered for membership on a case-by-case basis where they can demonstrate that they have an 'influential profile'. This will be based on one or more of the following characteristics:

        1.1.1. Key player in an efficiency target region.

        1.1.2. Key player in their industry/ target sector.

        1.1.3. Globally or nationally recognised and trusted brand and/or major multi-national company (e.g. Fortune 500 or other relevant index).

        1.1.4. Other consideration of clear international or regional influence that is of benefit to SEC's strategic aims.

Double Energy Productivity (DEP)

2. Companies must make a public commitment to the following:

   2.1. **Double energy productivity**:

      2.1.1. Double their energy productivity by 2040 or earlier from the joining date, relative to a baseline year that is no earlier than 10 years prior to the joining date.

3. Companies are encouraged to join at the group level in order to maximise the impact of their leadership claim when joining the Smart Energy Coalition. However, individual subsidiaries are also eligible to join provided the subsidiary meets clause 1.

   Where sufficient knowledge or expertise is not available in house to make one or more of the above commitments, we would advise engaging with a specialist consultancy firm. The Smart Energy Coalition is not able to give companies technical advice on energy efficiency target setting.

   Companies committing to Double Energy Productivity (clause 2.1) are responsible for choosing their energy productivity metric[i], baseline year and target year based on an assessment of their global operations. We ask that companies set an ambitious yet achievable target.

   As defined by the Greenhouse Gas Protocol[i], a company's Double Energy Productivity commitment must cover:

   3.1. All Scope 1 energy consumption (i.e. energy consumed directly on-site), including heat or electricity derived from on-site fossil fuel combustion, fleet fuel consumption and renewable energy generation.

   3.2. All Scope 2 energy consumption (i.e. energy consumed from off-site sources), including electricity, heat or steam that is purchased from a utility provider.

4. Climate Group recognises that for diversified companies it can be difficult to define an energy productivity metric that works for all business units. Therefore:

   4.1. A group company can join the Smart Energy Coalition by selecting different energy productivity metrics for each of its subsidiaries when setting their DEP commitment.

[i] Please refer to our detailed commitment criteria document for further information about the energy productivity metric. Examples of energy productivity metrics used by current Smart Energy Coalition members include: Revenue (USD$)/Gigajoules (GJ); Floor area (sqm)/megawatt hours (MWh); Full time employees (FTE)/kWh and others.

Reporting

5. All members **must** report annually on their progress to Climate Group. This includes members that have already achieved their commitment.

   Reporting ensures accountability and adds credibility to our members' leadership.

   Reporting also allows us to accurately assess the state of corporate energy efficiency action and identify barriers to further progress. We are then able to work collectively with our members and other stakeholders to overcome these barriers and unlock further progress for our members.

6. Members who are ready to claim that they have achieved their DEP commitment must complete the Smart Energy Coalition reporting form. Any public facing communications regarding completion of a Double EP commitment must be agreed with the the Climate Group team in advance.

7. Members must ensure that the information they disclose is accurate to the best of their knowledge at the time of submission. Members will be asked to explicitly confirm this during reporting process.

8. In the spirit of upholding corporate accountability, we reserve the right to expel a member from the Smart Energy Coalition if they are failing to fulfil their annual reporting requirement without good reason. Climate Group requires all member companies to undergo a review with the relevant initiative if they have failed to report for more than two consecutive years.

9. The Double EP reporting cycle usually begins in May and closes in August; however, it can vary slightly year on year. Members who joined the Smart Energy Coalition on or after the 1st of March each year will not be required to complete that year's reporting cycle and should instead prepare for the following year's report.

10. Members are to provide enterprise-level energy data in the reporting form. This enterprise-level energy data will be aggregated by Climate Group and never publicly traceable to individual members. Any changes to reporting and figures published in the annual Progress and Insights Report will be communicated to member prior to publication.

Other

11. If the individual responsible for fulfilling the requirements of their company's Double EP commitment is due to leave the organisation, they are obliged to provide the Climate Group team with a replacement point of contact.

    This is vital in ensuring continuity and prevents Climate Group team from having to spend significant resources trying to identify a replacement contact.

Exclusions

12. Companies joining the Smart Energy Coalition agree not to undertake activities that will directly or indirectly undermine the mission (to accelerate energy efficiency improvement rates) or credibility of the Smart Energy Coalition (or that of Climate Group more broadly), or bring the reputation of the Smart Energy Coalition (or Climate Group) into disrepute through activities such as, but not limited to: political lobbying in support of fossil fuels; increasing holdings in fossil fuel assets; committing human or civil rights abuses; or, undertaking criminal activity, including but not limited to: corruption, bribery, illegal dumping or deforestation, and other violations of applicable environmental regulations.

13. Companies must not exclusively operate in the following sectors:

    - Fossil fuels
    - Munitions
    - Gambling
    - Tobacco
    - Airlines

    Companies who partly operate in these areas will be asked to disclose their involvement and will be considered on a case-by-case basis.

14. As far as practicable, Climate Group takes an inclusive approach to companies interested in joining the initiative. Climate Group may, however, exclude companies from membership where there are current or historical ESG concerns, or concerns related to any other activity, that casts doubt on the credibility of a company's Double EP commitment or which may otherwise bring the Smart Energy Coalition or Climate Group into disrepute.

    Climate Group carries out a due diligence process on all interested companies. Where issues of concern are identified, Climate Group may seek to discuss these with the company prior to determining eligibility.

15. Smart Energy Coalition members will be asked to withdraw from the initiative if they no longer meet the requirements laid out in this document, including not completing our annual reporting.

16. Where there is doubt over the eligibility of a current Smart Energy Coalition member to remain in the initiative, the decision will be referred to Climate Group's executive management team. In the event that Climate Group's executive management team recommend withdrawal from the Smart Energy Coalition, the company will be given the opportunity to present their case to remain a member.

Financial institutions

17. Companies in the financial services sector are fundamental to a sustainable future. We recognise the need for the sector to contribute effectively to the energy transition and to thrive in a carbon constrained future. Whilst outside the direct scope of the initiative, Climate Group recognises the powerful role of investment in driving (or delaying) energy efficiency improvements and how this far outweighs the impact of a bank's operational energy efficiency decisions. Accounting for this, we require new joiners from the financial services sector to meet the following criteria[ii]

    17.1. Commit to measure and disclose the impact of their portfolio impacts/financed emissions on climate change, phasing this in as fast as possible. This is covered by following CDP's reporting process (CDP Financial Services Questionnaire) or an equivalent reporting process in line with the reporting requirements of the Global GHG Accounting and Reporting Standard for the Financial Industry[iii].

    17.2. Climate Group further encourages new financial institution members to align their portfolio/financed emissions with a 1.5-degree world[iv], and in particular to phase out the financing[v] of projects/companies involved in coal-fired power and thermal coal mining by 2030 in advanced economies and by 2040 in emerging market and developing economies[vi]. Climate Group will follow up with members periodically on their approach to this.

    In addition to the above requirements, we will:

    17.3. Limit new financial institution members joining if they are in process of making or have recently completed (i.e. in the last two years but assessed on a case-by-case basis) significant investments in companies/projects related to fossil fuels.

[ii] This applies to all EP100 member companies from December 2021 and all new Smart Energy Coalition members from September 2025.

[iii] We expect the approach to measurement and disclosure to be phased in as fast as possible, with current expectations by 2024 at the latest. Many banks utilize the methodologies within the Partnership for Carbon Accounting Financials (PCAF).

[iv] Initiatives focused on helping financial institutions to do this include SBTi and the Center for Climate Aligned Finance.

[v] Debt or equity financing or underwriting.

[vi] This approach is informed by the IEA Net Zero by 2050 report and is also informed by recent initiatives by finance-focused NGOs such as ShareAction, who are working with leading banks to develop a credible exit strategy from coal investments. Advanced economies are OECD members plus Bulgaria, Croatia, Cyprus, Malta and Romania. Developing economies are all other countries.