From Compliance to Cost Savings

ESOS Phase 4

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What is it and why

For many organisations, the Energy Saving Opportunity Scheme (ESOS) may feel like another compliance task, but it plays a much bigger role in how confidently you manage energy, cost and carbon.

ESOS was introduced to reduce the risk of reactive energy decisions and missed opportunities to reduce costs and emissions.

ESOS is a legal requirement, not a voluntary initiative. Qualifying UK organisations must assess their total energy use across buildings, transport and operational processes, the goal is to identify opportunities that improve efficiency in these areas. The scheme is enforced by the Environment Agency, and failure to comply can result in penalties, reputational damage and unnecessary last-minute pressure.

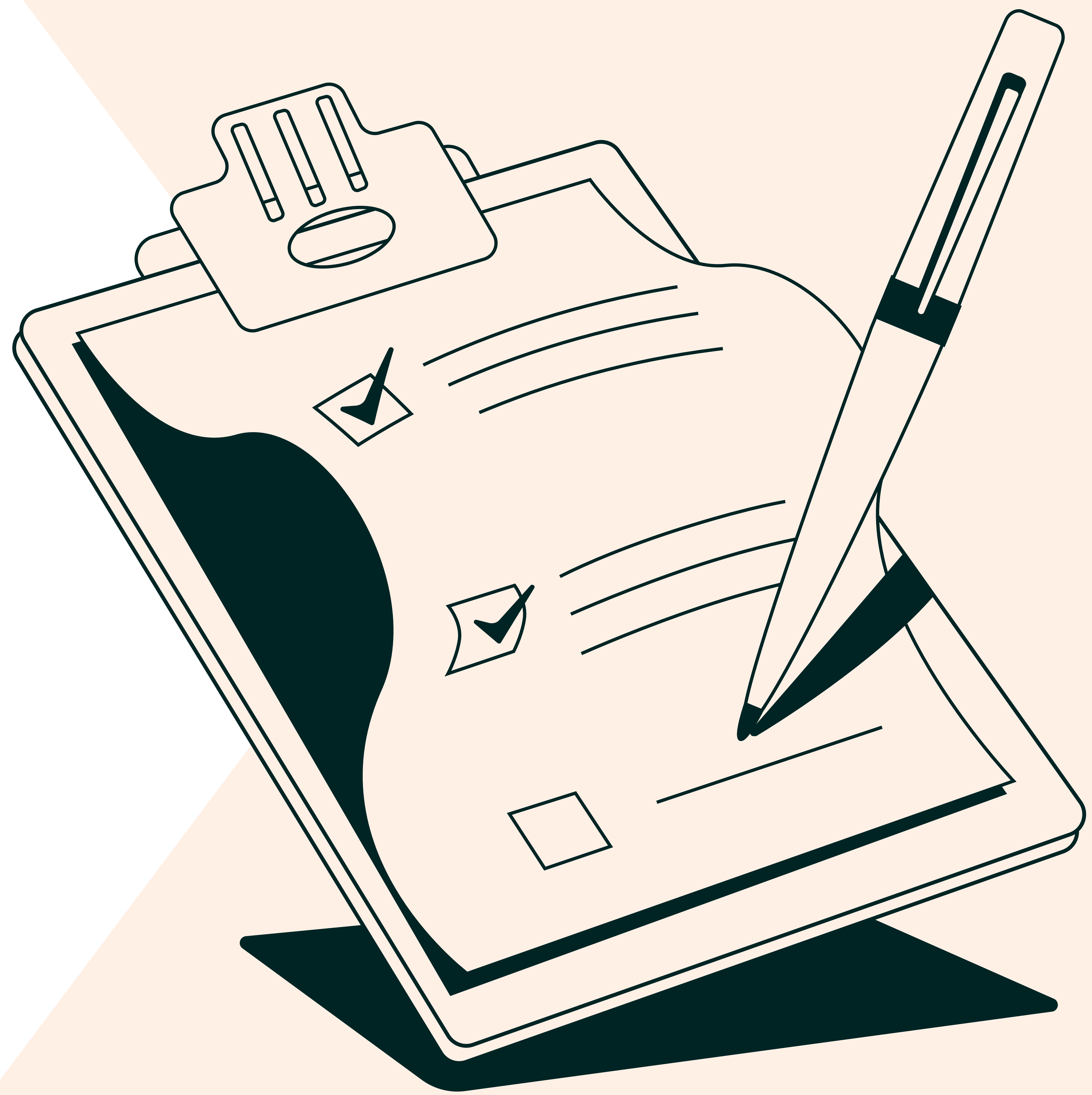
ESOS is something that cannot be ignored but is often misunderstood. Many businesses focus on meeting the minimum requirements, overlooking the wider opportunity to improve efficiency, cut costs and gain clearer control over energy use.

Businesses who qualify for ESOS:

- Employing more than 250 employees
- Have an annual turnover of more than £44m and an annual balance sheet total more than £38 million

Planning for ESOS Phase 4

If you're a large UK organisation, ESOS Phase 4 is the next compliance deadline you need to plan for, and decisions made now will determine how manageable the process is later. In many cases, ESOS only becomes a priority as the submission deadline approaches and when internal pressures increase.



Planning for ESOS Phase 4

Preparing well ahead of the submission deadline allows scope, data and audit decisions to be addressed early and in a controlled way, reducing risk and keeping compliance on track.

For ESOS, organisations must carry out an energy audit every four years - a complete review of energy consumption across buildings, transport and operational processes. The aim is to move beyond high-level assumptions to evidence-based insight, identifying practical, cost-effective opportunities to reduce energy use and manage costs.

For Phase 4, the qualification date is 31st December 2026, the point at which your organisation must check whether it meets the ESOS criteria. If it does, the compliance deadline is 5th December 2027, by which point assessments must be completed, findings signed off at board level, and compliance notified to the Environment Agency.

Leaving preparation until late leads to reactive decisions, time pressure and missed opportunities. Approached early and strategically, Phase 4 becomes less about meeting a deadline and more about gaining clarity and making better energy decisions.

What's changed?

ESOS Phase 4 marks a clear shift in expectations. While earlier phases focused heavily on identifying opportunities, the emphasis is now moving towards delivery, accountability and evidence of progress.

One of the most immediate changes is the removal of Display Energy Certificates (DECs) and Green Deal Assessments (GDAs) as compliance routes. For organisations that previously relied on these, Phase 4 requires a more direct and comprehensive ESOS assessment.

Another key change is that any progress against action plan commitments must now be included as part of the ESOS assessment. When the action plan commitments have not been met, organisations are required to provide a clear explanation.

Phase 4 marks a turning point for ESOS, where identifying opportunities is no longer enough and failure to deliver is far more visible.

What businesses need to do

If you qualify for ESOS Phase 4, the starting point is having a clear, planned approach.

You are required to measure the total energy consumption across your organisation and complete an energy audit every four years. Where relevant, this includes identifying areas of significant energy use, calculating energy intensity ratios and ensuring all consumption is covered through an appropriate route to compliance.

A Lead Assessor must be appointed unless you meet specific exemption criteria, and any energy use not covered by alternative routes must be audited. The findings are brought together in an ESOS report, shared with group undertakings and reviewed at board level, reinforcing senior accountability.

Finally, you must submit your compliance notification, retain a full evidence pack, and put robust action plans in place to address efficiency opportunities.

Common risks and mistakes

A common risk is misjudging the scope of ESOS. For example, excluding eligible subsidiaries, sites or energy sources. These gaps can invalidate assessments and create immediate compliance issues.

Another common problem is leaving action too late, which leads to rushed audits, limited access to experienced Lead Assessors and higher costs, with far less time to correct errors.

Other frequent problems include poor quality energy data and appointing a lead assessor who is not experienced both of which reduce the value of the assessment and increase the likelihood of regulatory scrutiny.

The impact of non-compliance can be significant. In the worst-case scenario, financial penalties can rise to £50,000 for failing to carry out your energy audits that support putting together the ESOS report you're required to submit. For continued non-compliance, potential daily fines of £500 combined with public disclosure and enforcement notices that may damage both reputation and operations.

Getting this right will help you avoid unnecessary costs, pressure and scrutiny which gives you confidence that your ESOS assessment is complete and compliant.

Book a call with one of our energy experts today.

We'll help to confirm if your organisation qualifies and the scope of work involved. We'll also help plan your assessment and audits early, and support you with the practical actions to reduce your energy spending once you've achieved compliance.

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