ESOS Phase 4

A practical guide for large organisations

The **Energy Savings Opportunity Scheme (ESOS)** is the UK's mandatory energy assessment scheme for large organisations. It was introduced to help businesses identify cost effective energy efficiency opportunities and it remains one of the most important energy compliance requirements affecting large commercial, industrial and public sector organisations.

Many organisations treat ESOS as a box to tick. The most successful ones use it as a strategic tool to reduce energy costs, improve operational performance and support wider carbon reduction goals.

QUALIFICATION DATE: 31 DECEMBER 2026 **NOTIFICATION DEADLINE: 5 DECEMBER 2027**

6 Dec 2023	31 Dec 2026	5 Dec 2027
Phase 4 compliance period begins	Qualification date	Compliance notification deadline

What is ESOS?

ESOS requires qualifying organisations to measure their total energy consumption, identify their significant energy consumption, assess at least 95% of total energy use, identify energy saving opportunities, obtain review by an approved ESOS Lead Assessor, secure board level sign off and submit compliance notifications to the Environment Agency.

MUST KNOW

ESOS does not require you to act on your findings. Phase 4 changes that expectation: you will need to report on progress made since your last compliance period and explain any planned actions that have not been completed.

Organisations that leave preparation until 2027 often face data quality issues, compressed audit programmes and reduced Lead Assessor availability. The earlier preparations begin, the lower the compliance risk.

Do You Qualify?

Employee and financial thresholds for Phase 4

An organisation qualifies if it is a large undertaking on **31 December 2026**. You qualify if either the employee threshold or the financial threshold applies. Both financial criteria must be exceeded if you are relying on the financial route.

250+

Employee threshold

The organisation employs 250 or more people.

£

Turnover threshold

Annual turnover above £44 million.

£

Balance sheet threshold

Annual balance sheet total above £38 million.

G

Group structures

One qualifying entity can bring the wider UK group into scope.

GROUP STRUCTURES MATTER

Qualification gets complex where multiple entities exist within a group. Subsidiaries may need to participate and overseas ownership does not necessarily remove ESOS obligations. A detailed qualification review is one of the most important early activities in an ESOS programme.

What Energy Must Be Included?

CATEGORY	WHAT IT COVERS
Buildings	Offices, retail premises, healthcare facilities, warehouses and industrial sites.
Industrial processes	Energy consumed during manufacturing and production activities.
Transport	Company vehicles, grey fleet mileage and transport activities under organisational control.

Where Organisations Get Caught Out

- Map your UK group structure before you start the qualification review.
- Confirm which subsidiaries, sites and business units are in scope.
- Start gathering transport data early. Many organisations underestimate it and find gaps late in the process.

What Does It Require?

Assessment, routes to compliance and sign off

The first step is calculating your **Total Energy Consumption (TEC)**. From there, you identify your **Significant Energy Consumption (SEC)**.

95%

The minimum share of total energy consumption you must assess. Only 5% may be excluded through the de minimis allowance, and the regulator expects you to evidence how this figure has been calculated.

Compliance Routes

ROUTE	WHAT IT INVOLVES
ESOS energy audits	A detailed assessment of energy performance undertaken across significant energy users.
ISO 50001	A certified energy management system covering relevant energy consumption.
Combination approach	Many larger organisations combine ISO 50001 coverage with targeted ESOS audits.

Role of the ESOS Lead Assessor

- Reviews the methodology used across your assessment.
- Assesses the quality of your energy audits.
- Confirms compliance and supports notification requirements.
- Signs off the completed assessment. Lead Assessors must be registered with an approved professional body.

DIRECTOR SIGN OFF

A board level director or equivalent senior officer must review the assessment and confirm compliance before notification is submitted. This keeps energy performance a strategic priority rather than a paperwork exercise.

Beyond Compliance

What's changed, common pitfalls and how KJ Tait can help

Phase 4 builds on reforms introduced during previous compliance periods. The focus is shifting from identifying opportunities towards demonstrating progress. You will need to report on progress against previous action plans, measures implemented, savings achieved and reasons for any planned actions not yet completed.

Common Compliance Challenges

CHALLENGE	WHY IT HAPPENS
Poor data quality	Missing utility data remains one of the biggest causes of delay.
Undefined group boundaries	Complex ownership structures often create uncertainty around qualification.
Incomplete transport data	Many organisations significantly underestimate transport energy use.
Late preparation	Waiting until the final year increases cost and risk and reduces the opportunity to act on findings.

Beyond Compliance

- Reduce operational costs
- Identify quick win energy savings
- Support SECR reporting and net zero planning
- Prioritise capital investment and inform estate strategies

At KJ Tait we help organisations move beyond compliance and turn ESOS into a practical roadmap for reducing energy use, cutting carbon emissions and closing the performance gap between expected and actual building performance.

PREPARING FOR ESOS PHASE 4?

KJ Tait provides ESOS qualification reviews, energy data analysis, significant energy consumption assessments, ESOS energy audits, ESOS Lead Assessor services, net zero and decarbonisation strategies and operational energy consultancy.

Speak to our ESOS specialists today and start preparing for the 5 December 2027 compliance deadline.

This guide summarises ESOS Phase 4 requirements as understood at the time of publication. It is not a substitute for professional advice. Always confirm your qualification position and compliance route with a registered ESOS Lead Assessor.