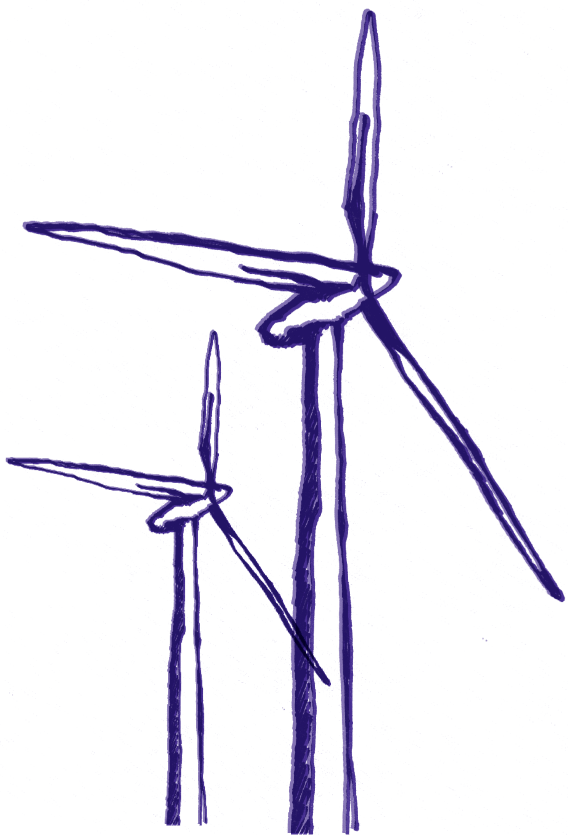
Bringing it all together

BT Carbon emissions statement 2011



BT Carbon emissions statement 2011

This statement is for our reporting year of 1st April 2010 to 31st March 2011 (2011) in line with the Group's financial reporting period.

We have reported our carbon emissions since 1992 and follow the Climate Disclosure Standards Board (CDSB) framework, which builds on the World Resource Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol (GHGP).

For full transparency, our carbon accounts this year show our gross footprint based on the 'grid average' carbon content of purchased electricity, and our net footprint which takes account of the carbon reductions achieved with the purchase of low and zero carbon electricity.

At the core of our approach are the following principles:-

- To report consistently internationally
- To provide as true a picture of our emissions as possible
- To handle all emissions in a similar way
- To use our reporting to drive behaviour that helps to deliver a low carbon economy.

In our 1997 baseline year BT had negligible non-UK activity. In 2011 our gross footprint from non-UK operations has grown to 201 kilotonnes against a reduction in gross UK emissions of 155 kilotonnes (10%). This equates to a 2.5% reduction in worldwide energy use compared with the previous year.

Our transport related emissions increased by 1.8% as a result of increased demand for our services. Overall we have reduced our gross footprint by 1.6% from 2010 of CO_2 equivalent (CO_2e). We have low carbon electricity contracts in the UK, Germany, Italy, Belgium, the Netherlands and Luxembourg, which result in a net global reduction of 53% from our 1997 base year.

Summary for the year ended 31st March 2011

CO_2e (kilotonnes)	**2011**	2010	2009	Base year 1997	Change 2010 to 2011	Change 1997 to 2011
Scope 1	**204**	212	249	414	-3.5%	-51%
Scope 2	**1,470**	1,490	1,487	1,156	-1.3%	27%
Sub total (scope 1 and 2)	**1,675**	1,702	1,736	1,570	-1.6% –	7%
Scope 3	**49**	49	73	58		-15%
Total emissions (gross)	**1,723**	1,751	1,809	1,627	-1.6%	6%
Less purchases of:						
Renewable electricity	**571**	574	590	–	-0.5%	–
CHP low carbon electricity	**301**	312	318	–	-3.4%	–
3rd party electricity consumption (UK only)	**92**	77	67	–	18.9%	–
Total emissions (net)	**759**	787	835	1,627	-3.6%	-53%

CO_2e emissions intensity

Worldwide performance

Performance against our 2020 Climate Stabilising Intensity (CSI) target to reduce the CO_2e emissions intensity of BT Group by 80% from our 1997 base year, by December 2020.

CO_2e emissions intensity – kT per £million value added	**Target 2020**	2011	2010	Base year 1997
Scope 1		0.019	0.020	0.044
Scope 2 (net)		0.047	0.049	0.123
Scope 3		0.005	0.005	0.006
Total intensity (net)	**0.035**	**0.070**	**0.074**	**0.173**
Intensity change from base	**-80%**	**-59%**	**-57%**	**–**

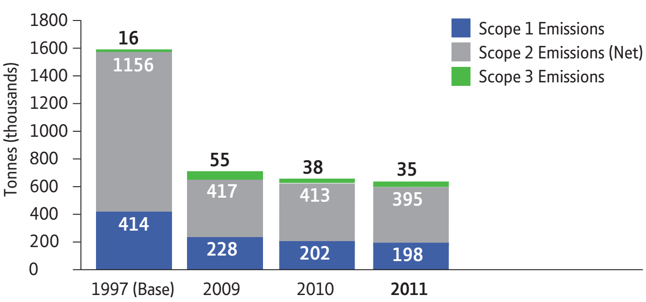
Calculation for our CSI = CO_2e / Value Added (EBIDTA + staff costs)

We calculate emissions intensity by dividing our total net CO_2e emissions by value added (EBIDTA + staff costs). We believe that this is an appropriate and ambitious target because it links the company's financial and environmental performance to the necessary carbon reduction needed to avoid catastrophic climate change.

UK performance

Performance against our 2016 absolute emissions target - To reduce UK emissions by 80% from our 1997 base. In 1997 our UK CO_2e emissions were 1,585 thousand tonnes and in 2011 628 thousand tonnes, a 60% reduction from base.

UK CO_2 e emissions



Detailed emissions breakdown

Emission source	2011	2010	2009	1997 (Base)
Scope 1 – stationary combustion				
Oil combustion - electricity generation	2	2	2	12
Gas combustion	67	70	80	108
Oil combustion - heating	9	10	12	67
Refrigeration gases (HFCs and SF_6 only)	5	5	6	1
Commercial fleet diesel	103	101	115	167
Commercial fleet petrol	0.01	0.01	0.05	18
Company car diesel	17	21	30	24
Company car petrol	2	3	4	16
Total scope 1 emissions	**204**	**212**	**249**	**414**
Scope 2 – purchased electricity				
At grid average intensity (gross) (excludes 3rd party consumption)	1,378	1,413	1,419	1,156
Less purchases of:				
Renewable electricity	571	574	590	-
CHP low carbon electricity	301	312	318	-
Purchased electricity (net)	506	527	512	-
Scope 2 emissions (net)	**506**	**527**	**512**	**1,156**
Combined scope 1 & 2 emissions (net) (excludes 3rd party consumption)	**710**	**739**	**762**	**-**
Scope 3 – other indirect emissions				
Homeworker emissions (see notes)	4	4	6	N/A
Cars on BT business (diesel)	8	9	11	1
Cars/motorcycles on BT business (petrol)	0.02	0.02	1	5
Refrigeration gases (CFCs and HCFCs only)	4	6	7	13
Rail travel	5	5	7	11
Air travel (domestic)	7	7	8	N/A
Air travel (short haul)	2	2	3	8
Air travel (long haul)	13	10	19	8
Hire cars (all fuels)	5	5	11	11
Total scope 3 emissions	**49**	**49**	**73**	**58**
Total CO_2e emissions (net)	**759**	**787**	**835**	**1,627**
Percentage change from base (net)	**-53%**	**-52%**	**-49%**	**-**

Source: Invoices, BT energy management system, BT fleet management system, BT refrigerants database, BT expenses unit, BT travel management

Energy

Our energy and carbon reduction strategy

Priority of actions

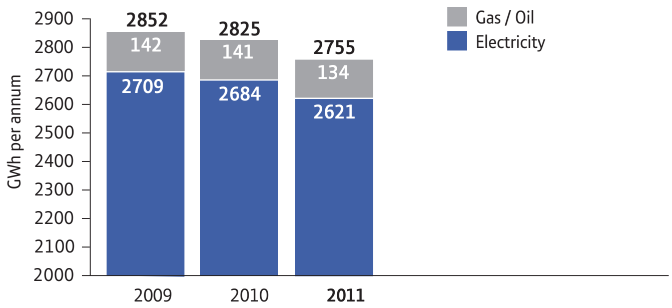
1. ENERGY EFFICIENCY
2. GENERATE RENEWABLE ENERGY
3. PURCHASE LOW CARBON ENERGY

ENERGY AND CARBON REDUCTION

BT consumes significant amounts of energy to operate our networks, data centres and offices. Energy related emissions accounted for almost 75% of our net CO_2e emissions last year.

We reduced global energy consumption by 2.5% this year compared to 2010, with energy reduction projects and investments saving over £18m per annum. This is the third consecutive year that BT has reduced worldwide consumption, despite additional business as usual growth driven by the introduction of new services and technologies.

BT's worldwide energy consumption



* Gas / Oil converted to electricity equivalent

Notes

1. Greenhouse gases

All greenhouse gas (GHG) emissions figures are in thousands of tonnes of carbon dioxide equivalents (CO_2e) and include all six greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO_2), methane (CH_4), Nitrous oxide (N_2O), Perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), and sulphur hexafluoride (SF_6) emissions, plus other greenhouse gases not covered under the Kyoto protocol.

2. Organisational boundary

Both the CDSB and GHGP allow a company to define the organisational boundaries for carbon reporting according to definitions of 'equity share', 'financial control' or 'operational control'. The CDSB and UK Government guidance both recommend use of the 'financial control' approach.

Taking the financial control approach would omit most of our buildings which would not be a proper reflection of our business. Therefore, to give the most representative footprint for BT we take a hybrid approach. In essence we report on the emissions associated with energy that we buy or generate worldwide. Where the energy is provided by landlords as part of a full service contract we have not included these emissions. We take a consistent approach where we are the landlord. We do not report on countries that have never reached 250MWh per annum electricity use, nor where we do not have a controlling interest in any Joint Ventures or partnerships.

3. Operational boundary

Direct emissions under **scope 1** which we include in our reporting are:

- Fuel used in back up generators
- Fuel used in the commercial (liveried) fleet
- Fuel used in company cars when driven on BT business
- Loss of refrigeration gases covered under the Kyoto protocol
- Fuel used to heat BT premises

Indirect emissions under **scope 2** which we include in our reporting are:

- All purchased electricity
  - Electricity purchased at grid average carbon intensity
  - Electricity purchased at low carbon intensity
  - Renewable electricity purchased at zero carbon intensity

Note: This includes electricity used by suppliers on BT premises (for example catering) but excludes 3rd party electricity use where separate metering is in place (for example where we bill Communication Providers for Local Loop Unbundling).

Other indirect emissions under **scope 3** which we include are:

- Employee business travel (rail, air and car hire)
- Non-Kyoto refrigerant gases (e.g. CFCs)
- An estimate for home workers carbon footprint

Scope 3 emissions that we currently do not report on are:

- Extraction and production of purchased materials and fuels
- Transport-related activities
  - Transportation of purchased materials or goods
  - Transportation of purchased fuels
  - Employees commuting to and from work
  - Transportation of sold products
  - Transportation of waste
- Electricity-related activities not included in scope 2
  - Extraction, production, and transportation of fuels consumed in the generation of electricity (either purchased or own generated)
  - Purchase of electricity that is sold to an end user (appropriate to utility companies)
  - Generation of electricity that is consumed in a T&D system (reported by end-user)
- Leased assets
- Franchises
- Outsourced activities
- Waste disposal
  - Disposal of waste generated in operations
  - Disposal of waste generated in the production of purchased materials and fuels
  - Disposal of sold products at the end of their life

4. Geographic scope

CO_2e emissions that fall within the organisational and operational boundaries have been reported for all worldwide operations.

5. Conversion factors

For our UK reporting we use conversion factors published by Department for Environment Food and Rural Affairs annually. As electricity fuel mix and associated carbon intensity differs from one country to another we use the Greenhouse Gas Protocol or International Energy Agency (IEA) conversion factors unless specific national or contract factors exist.

For our homeworker emissions in the UK we have derived the impact using the non-taxable allowance (tax-free payments that BT homeworkers claim from the company) permitted by UK tax authorities and applied that to average home gas/ electricity mix.

6. Renewable/ low carbon electricity

In 2009, the UK Government published updated voluntary company reporting guidelines which differed from previous guidance. They now recommend that carbon emissions from electricity purchased with zero or low carbon emissions should only be reported at the 'grid average' intensity. This removes any incentive for large energy consumers such as BT to purchase renewable electricity. We feel this is retrograde step, especially given the hugely challenging targets the UK has for increasing the amount of renewable electricity over the next decade. The Government agreed to review this by December 2010; however, this has been delayed until December 2011 due to the change in Government and the Electricity Market Reform proposals that were published in late 2010.

Depending on the outcome of that review we may need to revise our approach to energy purchasing, carbon reporting and our CO_2 targets.

For full transparency, our carbon accounts show our 'grid average' purchases alongside the carbon reductions associated with our purchase of low carbon electricity.

7. Benchmarking our performance

We were pleased to be named sector leader in the FTSE4Good ESG Ratings and to achieve joint first place in the Carbon Disclosure Project's Leadership Index in the last year.

We continue to assess our peer reporters in order to benchmark our performance. In the absence of a formal standard applied internationally this is a complex matter. We support the development of international carbon accounting standards. In the UK Gavin Patterson, CEO of BT Retail, represents BT on the Confederation of British Industry (CBI) Climate Change Board. BT has contributed to the joint World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD) initiative to develop a new standard for accounting and reporting product lifecycle greenhouse gas emissions.