

# CBSR: EXCEL NET ZERO WORKING GROUP **TACKLING SCOPE 3 EMISSIONS**

Friday, Feb 25<sup>th</sup>, 2022  
1:30 – 3:00 pm EST

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# VIRTUAL HOUSEKEEPING



**Adjust your Zoom display name to show:**  
[Your Name, Company Name]



**Encouraged to switch on video & actively  
Participate in the chat box and discussions**



**Chatham House Rules**  
**Take care of your needs**



**Tech questions?** Ask them in the **CHAT**

# AGENDA

Timing (EST)	Agenda Item
1:30 – 1:40 PM	<b>Introductions</b>
1:40 – 2:15	<b>Scope 3 Emissions:</b> <ul style="list-style-type: none"><li>• <b>Net Zero Targets and Scope 3</b><ul style="list-style-type: none"><li>• What are the biggest barriers and complexities you face in tackling the inclusion of Scope 3 in your net zero target?</li><li>• How can your business benefit from mitigating Scope 3 emissions (e.g. by engaging suppliers, customers, or other value chain elements), and how can it relate to commercial opportunities under net zero?</li></ul></li><li>• <b>Scope 3 Subcategories</b></li><li>• <b>Screening Process</b><ul style="list-style-type: none"><li>• In your business, which Scope 3 categories are most relevant?</li></ul></li><li>• <b>Best Practices for Reporting</b><ul style="list-style-type: none"><li>• How has your company approached Scope 3 in the past, and how in the context of net zero is that approach needing to change or is it still 'spot on'?</li></ul></li><li>• <b>Supply Chain Engagement</b><ul style="list-style-type: none"><li>• Has your company used any scope 3 supply chain incentives?</li><li>• What external pressures are you facing regarding Scope 3, and do they originate in your supply chain, with investors, customers, or other stakeholders?</li></ul></li></ul>
2:15 – 2:55	<b>Member Spotlights</b> <ul style="list-style-type: none"><li>• Bell</li><li>• Cenovus</li></ul>
2:55-3:00	Closing & next steps

# CBSR EXCEL Member Net Zero Working Group

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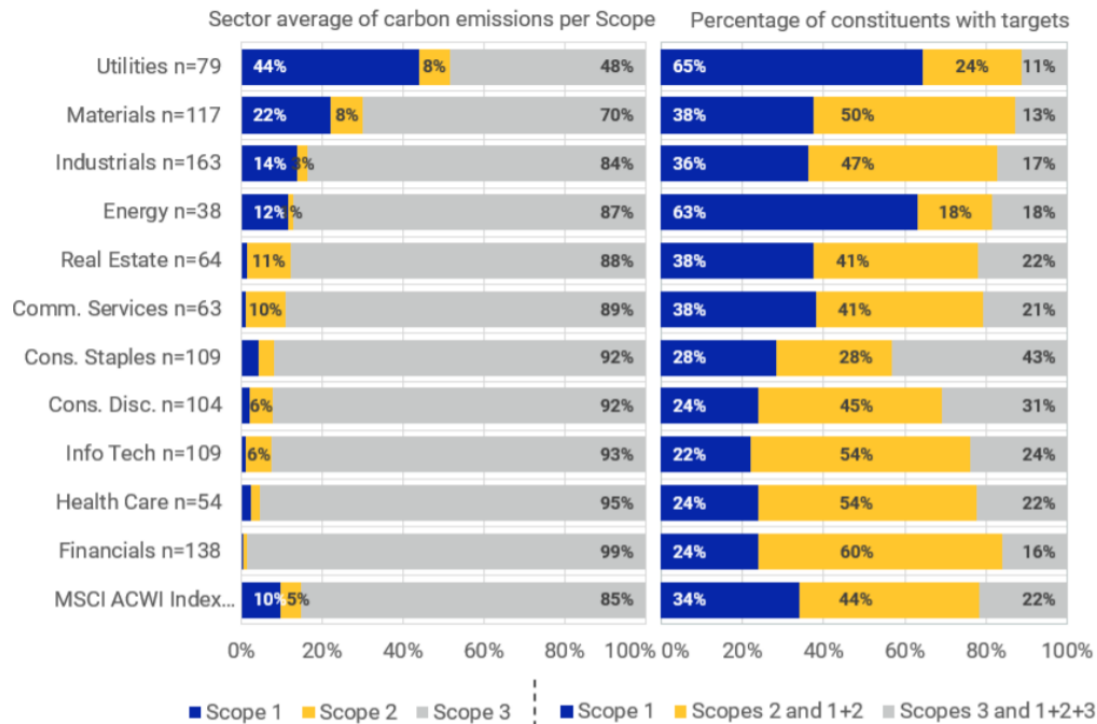
**“My Scope 3 Emissions are Stuck in the Suez Canal”**



# SCOPE 3 EMISSIONS & NET ZERO TARGETS

- Many companies today report only scope 1 and 2, but this is changing quickly; in the future, all net-zero targets will likely include scope 3 emissions
- New SBTi Standard:** if scope 3 emissions exceed 40% of total emissions, the gold-standard SBTi requires a company to set targets that covers at least two-thirds of its scope 3 emissions inventory.

Exhibit 4: Scopes of Carbon Emissions (left) and Targets (right) by GICS Sector



\* 2021 MSCI data

19%

of targets on the Net Zero Leaderboard have clear scope 1, 2, & 3 targets





**Discussion question:** What are the biggest barriers and complexities you face in tackling the inclusion of Scope 3 in your net zero target?

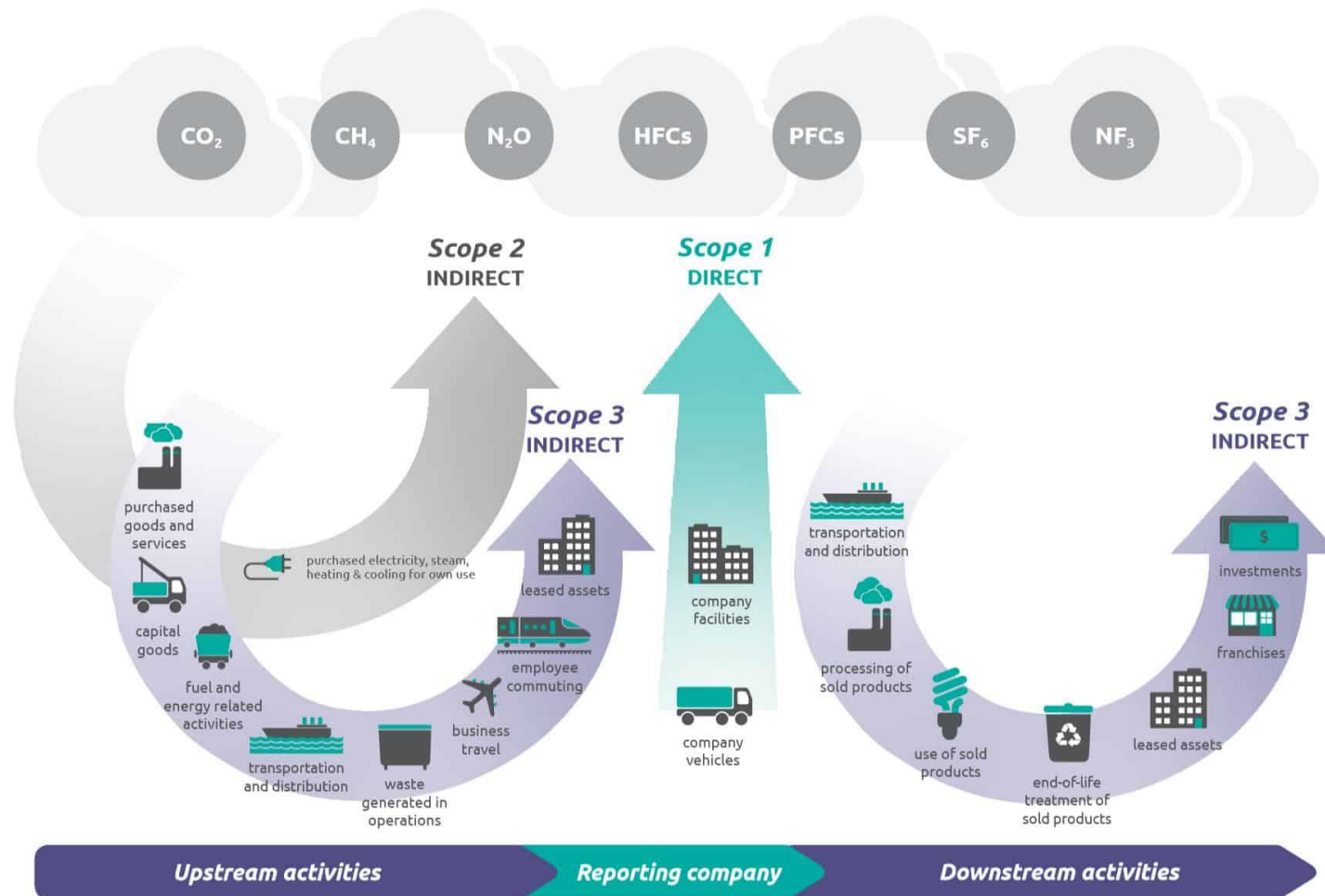


**Discussion question:** How can your business benefit from mitigating Scope 3 emissions, and how can it relate to commercial opportunities under net zero?



# SCOPE 3 EMISSIONS – 15 SUBCATEGORIES

- Scope 3 emissions include all indirect upstream and downstream emissions in the company's value chain.
- Approximately 40% of global GHG emissions are driven or influenced by companies through purchases and the products they sell.
- Scope 3 emissions fall within 15 categories, though not every category will be relevant to all organizations



# SCOPE 3 EMISSIONS – 15 SUBCATEGORIES

## Downstream

Purchased  
goods and  
services

Capital  
goods

Fuel and  
energy  
related  
activities

Upstream  
transportation  
and  
distribution

Waste  
generated in  
operations

Upstream  
leased  
assets

Business  
travel

Employee  
commuting

## Upstream

Downstream  
transportation  
and  
distribution

Processing of  
sold  
products

Use of sold  
products

End-of-life  
treatment of  
sold  
products

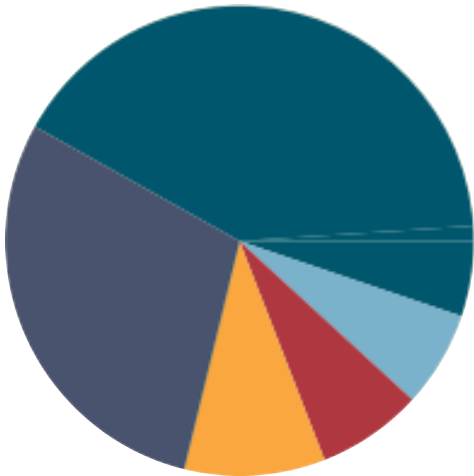
Downstream  
leased  
assets

Franchises

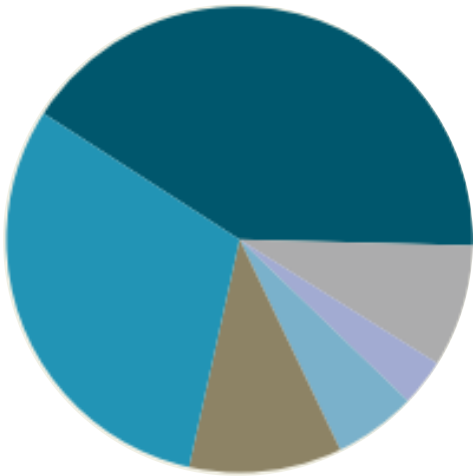
Investments

# SCOPE 3 EMISSIONS - SUBCATEGORIES BY INDUSTRY

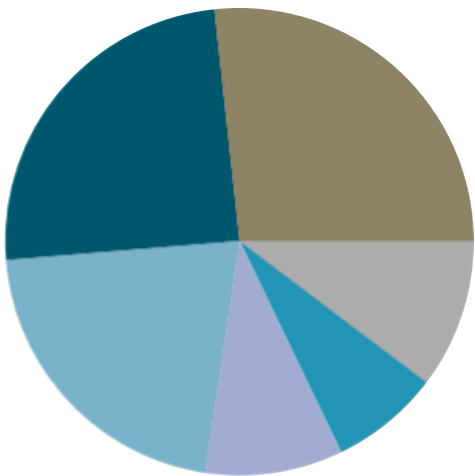
Banks, Diverse  
Financials, Insurance



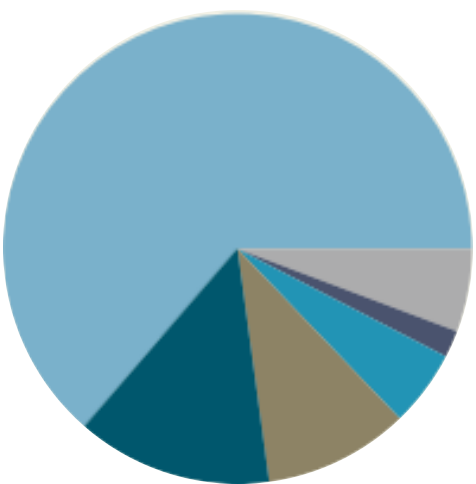
Telecommunication  
Service



Real Estate



Electric Utilities &  
Independent Power  
Producers



- |   |  |  |
|---|--|--|
| Purchased goods and services                                      | Employee                                   | End of life treatment of sold products |
| Capital goods   | Upstream leased assets                     | Downstream leased assets               |
| Fuel-and-energy-related activities (not included in Scope 1 or 2) | Downstream transportation and distribution | Franchises                             |
| Upstream transportation and distribution                          | Processing of sold products                | Investments                            |
| Waste generated in operations                                     | Use of sold products                       | Others                                 |
| Business travel   |  |  |



# SCOPE 3 EMISSIONS – SCREENING PROCESS FOR RELEVANCE

- Quantifying a company's scope 3 emissions is an essential starting point for effective management.
- **Scope 3 Screening:** determines which scope 3 categories are most relevant in your value chain.
  - **Best practice:** Use top 3 categories with highest GHG emissions to inform Scope 3 reduction strategy
- Several tools are available to help with the process:
  - E.g., [Scope 3 Evaluator Tool](#) by the GHG Protocol
- Where developing a complete scope 3 inventory is impractical, companies can use sectoral information to conduct a gap analysis and determine where to focus measurement efforts.
  - [Data collection guidance](#) by GHG protocol

Industry	Top Scope 3 Emissions Categories
<b>Banks, Diverse Financials, Insurance</b>	Purchased goods and services, Investments
<b>Real Estate</b>	Purchased goods and services, Use of sold products, Fuel-and-energy-related activities
<b>Construction &amp; Engineering</b>	Purchased goods and services, Use of sold products
<b>Telecommunication Service</b>	Purchased goods and services, Capital goods
<b>Electric Utilities &amp; Independent Power Producers</b>	Fuel-and-energy-related activities, Upstream transportation and distribution
<b>Food &amp; Beverage Processing</b>	Purchased goods and services, Processing of sold products

\* 2018 SBTi data



**Discussion question:**

In your business, which Scope 3 categories are most relevant?





# SCOPE 3 EMISSIONS – BEST PRACTICES FOR REPORTING

## 1) Collect Scope 3 Emissions Data

- The Corporate Value Chain (Scope 3) Accounting and Reporting Standard allows companies to assess their entire value chain emissions impact and identify where to focus reduction activities
- Prioritize data collection based on magnitude of CHC emissions, financial spend/revenue, or other criteria
- [Data collection guidance](#) by GHG protocol

## 2) Formulate Ambition

- Set emissions reduction targets and/or targets to engage suppliers to reduce emissions in line with the percentage reduction of absolute GHG emissions required at a global level over the target timeframe
- Set both absolute and intensity targets for maximum transparency

## 3) Select Relevant Emissions Reduction Levers

- Business model innovation
- **Supplier engagement**
- Procurement policy and choices
- Product and service design
- Customer engagement
- Operational policies
- Investment strategy
- Advocate for regulation or policy changes that enable low carbon business models

## 4) Measure and Track Impact

- Leverage a Standardized Measurement, Reporting and Verification (MRV) process, which:
  - Measures or monitors (direct or estimation) of emissions, mitigation measures and support.
  - Reports the interpreted data and findings in accordance with a standard.
  - Verifies accuracy and completeness to establish credibility.





**Discussion question:** How has your company approached Scope 3 in the past, and how in the context of net zero is that approach needing to change or is it still 'spot on'?

# SCOPE 3 EMISSIONS – SUPPLY CHAIN ENGAGEMENT

- **Step 1. Identify suppliers**
  - **Best practice:** target suppliers that have the highest contribution to the company's upstream scope 3 emissions, regardless of their tier in the supply chain or revenue
  - Typically, greatest influence over tier 1 suppliers; emission reductions beyond tier 1 can be achieved by setting the expectation that intermediate suppliers engage with their suppliers
- **Step 2. Determine approach**
  - Methods: 1) enforcing, 2) being supportive/informative, or 3) inducing competition among suppliers.
  - **Best practice:** Involve suppliers when developing engagement strategy; this helps to ensure all parties are aligned and in agreement.
- **Step 3. Communicate Expectations**
  - Methods: online platforms, non-interactive contact, open events, interactive meetings, webinars and videos
  - **Best practice:** Use interactive methods of communication to improve relationships
- **Step 4. Collaborate**
  - Methods: company set standards, promote action, joint ventures/project, cascade, third-party standards, rating/scoring systems
  - **Best practice:** cascade approach can be highly impactful since action propagates up the value chain
- **Step 5. Support**
  - Examples: workshops/training, goal setting, technical guidance, financial support, knowledge sharing
- **Step 6. Monitor**
  - Track whether parties are sticking to the agreements they made, and whether they are resulting in GHG reductions
  - Methods: private/public reporting, audits
- **Step 7. Reinforce**
  - Provide incentives for the suppliers to uphold their end of the agreement
  - Consequences: priority contract procurement, improvement program, switch suppliers (last resort), private appraisal

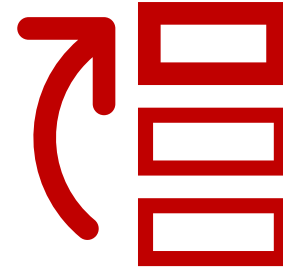
# Practical Incentive Examples



Use a supplier contract to stipulate min requirements



Reward suppliers for sharing data & complying



Buyers favor suppliers that disclose relevant data



Offer special rates to complying suppliers/buyers



## Discussion question:

Has your company used any scope 3 supply chain incentives?



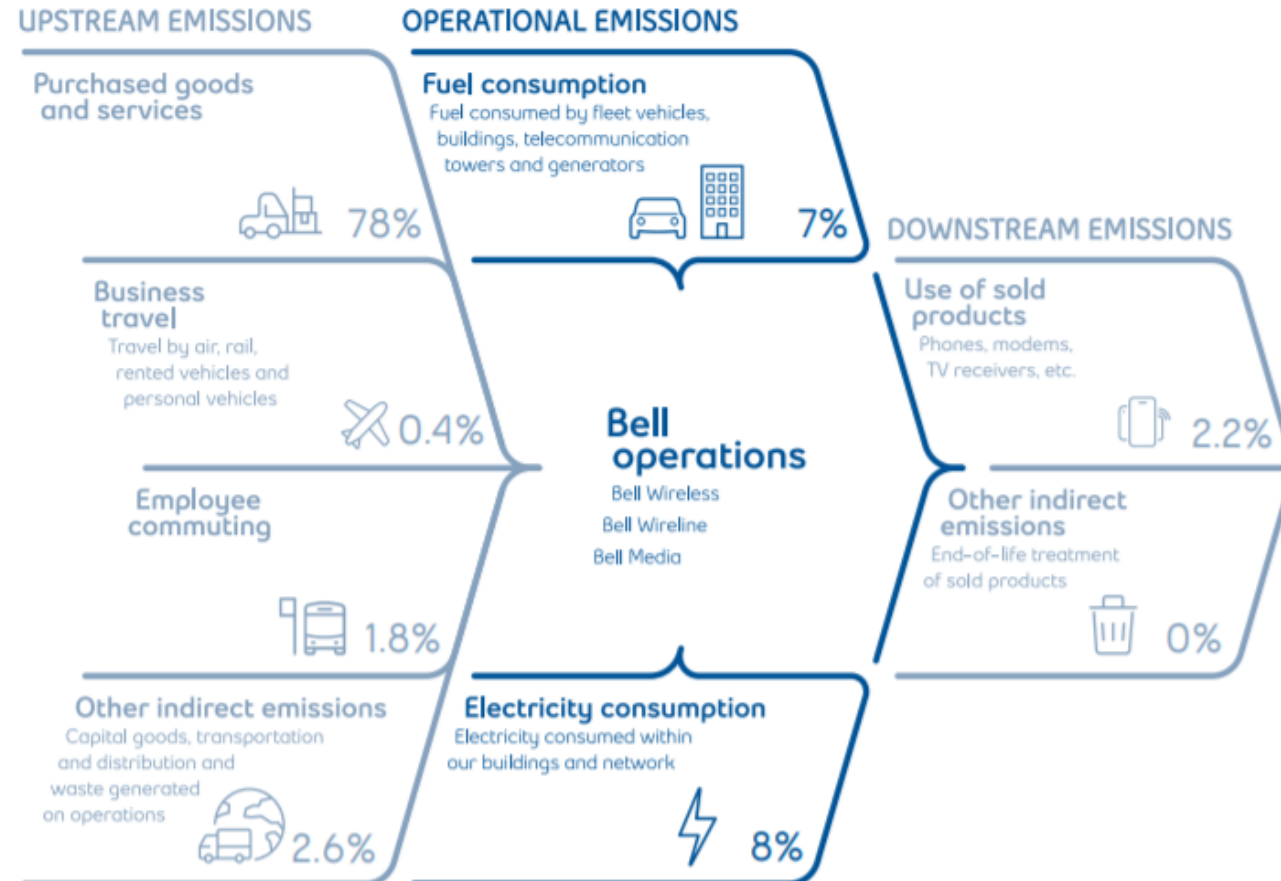


**Discussion question:** What external pressures are you facing regarding Scope 3, and do they originate in your supply chain, with investor, customers, or other stakeholders?

# MEMBER SPOTLIGHTS

**Bell**

## Sources of all GHG emissions (%)



# MEMBER SPOTLIGHTS



## Cenovus Scope 3 GHG Emissions on a Net Equity Basis

#	CATEGORY NAME	2020 MMt CO <sub>2</sub> e	2019 MMt CO <sub>2</sub> e
1	Purchased Goods and Services	7.2	4.8
2	Capital Goods <sup>a</sup>	0.0	0.0
3	Fuel and Energy-Related Activities (not included in Scope 1 or Scope 2)	2.9	2.9
4	Upstream Transportation and Distribution	2.0	1.9
5	Waste Generated in Operations <sup>b</sup>	-	-
6	Business Travel <sup>c</sup>	0.0	0.0
7	Employee Commuting <sup>c</sup>	0.0	0.0
8	Upstream Leased Assets <sup>b</sup>	-	-
9	Downstream Transportation and Distribution	0.5	0.5
10	Processing of Sold Products	3.0	0.3
11.1	Use of Sold Products - Upstream Production	112.9	111.9
11.2	Use of Sold Products - Refinery Throughput <sup>d</sup>	94.7	107.2
11.3	Use of Sold Products - Retail Sales	5.0	5.3
12	End of Life Treatment of Sold Products <sup>b</sup>	-	-
13	Downstream Leased Assets <sup>a</sup>	-	-
14	Franchises <sup>c</sup>	0.0	0.0
15	Investments	3.6	4.2

Total 2020 scope 3 GHG emissions estimated via different methods





# NEXT STEPS

- Register for GLOBE Forum 2022
- Next NZWG meeting: April 29<sup>th</sup>, 2022
- **NZWG Badge:** process coming soon

