



How to do Scope 3 Carbon Accounting

Aligned with the GHG
(Greenhouse Gas) Protocol

Key take-aways

Supply chain emissions are approximately four times larger than that of operations so for any company serious about reducing GHG emissions, it is essential to measure GHG emissions resulting from upstream and downstream activities.

Measuring Scope 3 emissions is required for businesses covered by regulations such as CSRD.

The Greenhouse Gas (GHG) Protocol provides guidance on how to measure your emissions; companies should follow the principles of accuracy, transparency, completeness, consistency, and relevance.

Start off with a spend-based method to provide rough estimates of your total GHG emissions and then increase accuracy through an activity-based or supplier-based approach for the most significant categories (e.g., raw materials, energy usage).

Use your findings to set ambitious yet achievable target.

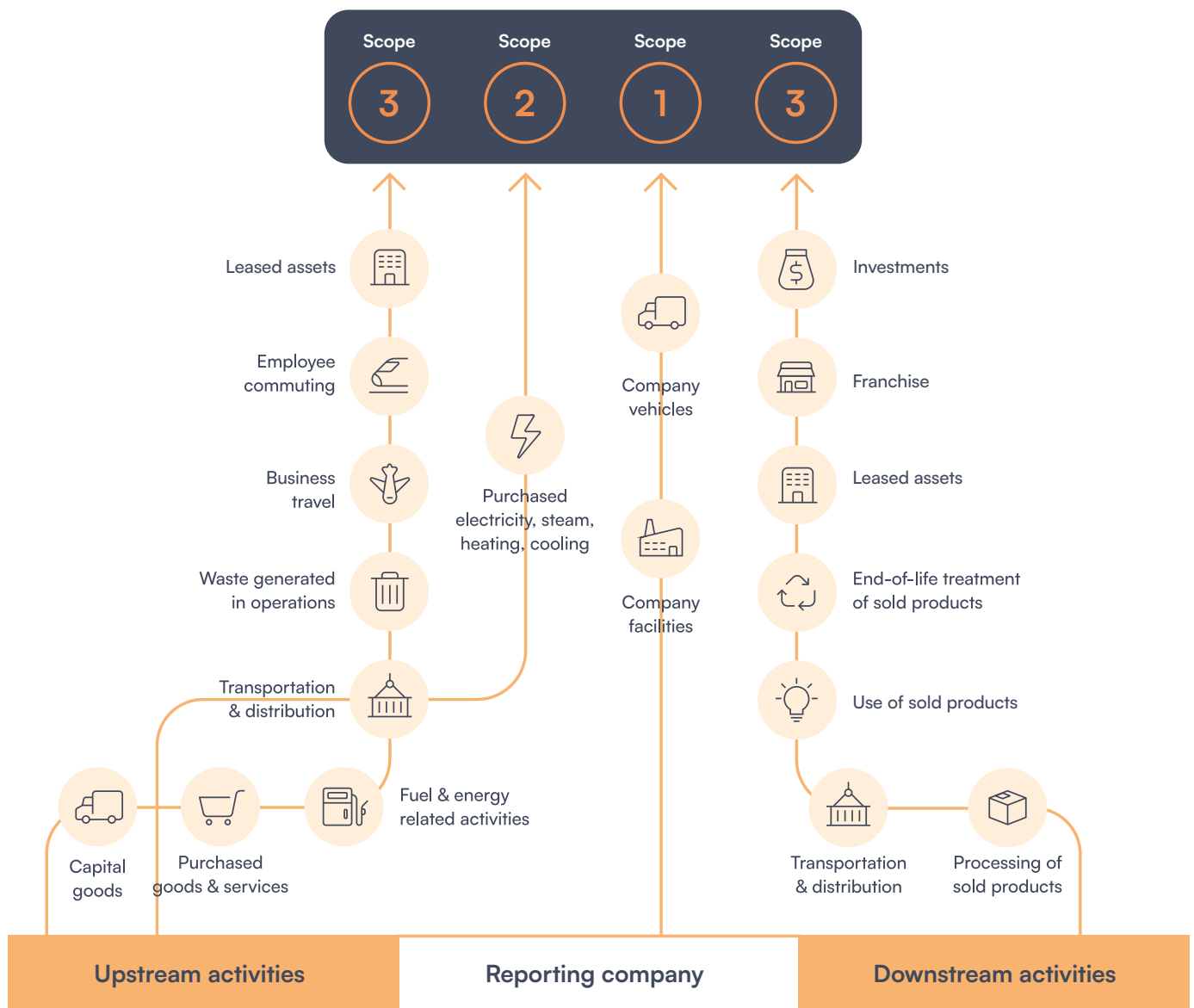
There is no reason to not get started!

What are Scope 3 emissions and why does it matter for you business?

What are Scope 3 emissions?

Scope 3 emissions refer to all indirect greenhouse gas (GHG) emissions that occur throughout a company's value chain, which are not covered by Scope 1 or 2 emissions. They result from activities the company does not directly control or own, such as emissions generated through purchased goods and services and transportation and distribution.

In total, Scope 3 emissions can be divided into 15 distinct categories as defined by the Greenhouse Gas Protocol, and they often represent the most significant portion of a company's overall GHG emissions.



Scope 3 is notoriously known to be difficult to measure, but that does not mean that it isn't important for companies. According to the Science Based Targets initiative, supply chain emissions are approximately four times that of operations so for any company serious about reducing GHG emissions, it is essential to measure GHG emissions resulting from upstream and downstream activities as well.



“

Despite the challenges of addressing indirect emissions, Scope 3 not only has huge potential to prevent the worst impacts of climate change, it can also lead to substantial business benefits.

(The Science Based Targets initiative)

A set of legally binding requirements and voluntary frameworks are now demanding the collection of Scope 3 emission data. Most notably, the Corporate Sustainability Reporting Directive (CSRD) will come into effect in 2024, which will require approx. 50,000 European companies to measure GHG emissions that occur in the company's value chain. Similar regulations have been proposed for public companies in the US.

Furthermore, measuring Scope 3 and setting reduction initiatives can be the foundation for your business to increase competitiveness. Increasingly, key stakeholders expect companies to take responsibility for their GHG emissions beyond their direct operations and to actively reduce their environmental impacts. Exploring ways to minimize Scope 3 emissions can lead to cost savings through more efficient resource utilization, waste reduction, and energy savings.



What is the GHG protocol and how to ensure alignment?

GHG protocol as the leading standard for measuring GHG emissions

The Greenhouse Gas Protocol (GHGP) is a widely adopted international standard for accounting and reporting GHG emissions by governments, businesses, and other organizations. Established as a joint venture between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the GHGP provides comprehensive guidance and tools for measuring, managing, and reducing global GHG emissions. It includes the Corporate Standard, the Scope 3 Standard, and other sector-specific standards.

Adhering to the Accounting and Reporting principles

Every company should follow the five accounting and reporting principles set by the GHG protocol to ensure a faithful, true, and fair account of a company's GHG emissions.

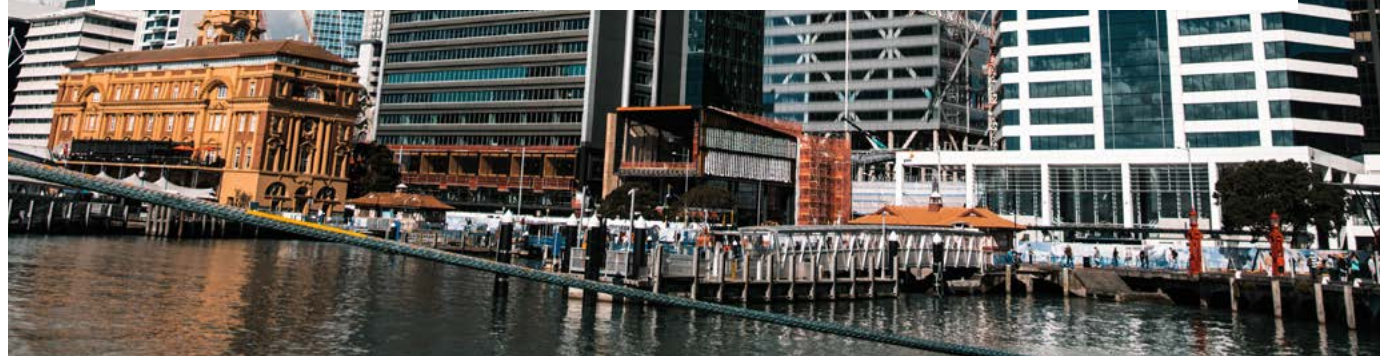
In short, the principles state that every company should make sure that all significant sources and sinks of GHGs are accounted for (*completeness*) and that the GHG sources, data and methodologies adequately reflect the emissions (*relevant*). Furthermore, the methodologies, data sources and assumptions should be *consistent* to enable comparisons over time and well-documented (*transparent*) to allow stakeholders to assess credibility. Lastly, the measurements should be as *accurate* as possible.

Different calculation methodologies to estimate GHG impact

The GHG protocol distinguishes between several ways to estimate your GHG emissions and to adhere to the principles covered above. A clear understanding of the different methodologies will allow you to conduct measurements more effectively and accurately and to prioritize efforts on areas that matter the most. As noted by CDP:



Companies may end up measuring and reporting emissions in categories which are easy to calculate (such as business travel) rather than categories where the bulk of their emissions occur but which are more difficult to calculate.



In simple terms you can say that the GHG impact for any type of activity is estimated in the following way:





There are multiple ways to estimate activity levels and GHG intensity, but at a high level there are three methods that prevail when it comes to estimating your value-chain emissions:

Spend-based

With this method the activity level is Cost and the GHG impact is typically calculated by multiplying the activity level with an GHG intensity estimated based on industry averages. Often, this is considered less accurate, but it is typically significantly easier to get started with this method and it allows you to effectively achieve completeness since it is much more practical to utilize for selected categories of spend.

Activity-based

The activity-level in this method is typically a unit of some sort, for example electricity consumption (kWh) or distance travelled (km). This is often more accurate as it is based on the actual activity level and not the price or the cost, which might give misleading estimations in some instances. The GHG intensity is estimated by averaged emission factors for each of the activities, with varying specificity to the activity in question. The downside with this method is that it is not necessarily as relevant and useful to all categories, and it is also a little more complex to get started.

Supplier-based

The latter of these methods are based on product-specific GHG data (for example EPDs) and is considered the most accurate. For product specific GHG data a product lifecycle analysis has been conducted, which enables an accurate estimation of GHG intensity at a product level. The activity level is simply the volume consumed or purchased. Although it is most accurate, it is not possible to can measure every single category of Scope 3 emissions in this way.

All of these methods serve a purpose, but they need to be applied to the right and most relevant categories for each company.

A step-by-step guide to how to calculate Scope 3 GHG emissions

Finally — how to get started? We are working with companies across industries and our main recommendation is to get started as quickly as you can. Creating a baseline for your GHG emissions is critical for any company seeking to prosper in the future. However, we understand that it can be overwhelming and that it is not always so easy to know where to start.

Don't worry. It doesn't have to be difficult. Based on our experience we believe there are five practical steps every company should take to get started on accounting of your GHG emissions:

1. Collect relevant data for your organization's activities. We recommend starting with following sources:

- Spend data: Get an overview of all transactions from the last 24 months. This will be a great basis for how to calculate several of the Scope 3 categories.
- Energy usage: Collect data from your utility bills. Make sure to check whether you have purchased renewable energy certificates.

2. Use a spend-based approach to create a first baseline for your Scope 3 emissions. This allows you to rapidly identify high-emitting areas that you need to understand better.

3. Increase accuracy for the high-emitting areas by utilizing an activity-based or supplier-specific calculation method. Typically, this applies to one or all of the following categories:

- Logistics (Category 4): Activity-based method based on metrics such as ton-km.
- Business travel (Category 6): Activity based method based on metrics such as number of km travelled or number of hotel nights.
- Raw materials (Category 1): Product-specific data for the largest product areas, but an activity-based method for as much of the rest as possible.
- Waste (Category 5): Activity-based method based on type and mass of waste.



4. Validate and verify results: Ensure that your calculations are transparent and that it is easy for others to understand how you have estimated your Scope 3 emissions. Furthermore, we see some leading companies enhancing credibility by adding third-party verification.

5. Set targets and track progress: Now that you have a clear baseline in place make sure to set aside for the most important part of the work — namely defining initiatives to reduce your total GHG emissions. We recommend that you set ambitious, yet achievable targets to demonstrate commitment and to make a real impact!





About Ignite Procurement

Ignite Procurement offers a data-driven approach to support businesses in calculating and managing their Scope 3 emissions. We are passionate about seeing companies improve the sustainability of their supply chain and are working with companies across industries to reduce emissions, supply chain risk and costs. We are proud to see leading European companies use our solution for Scope 3 emissions, including but not limited to Veidekke, Hurtigruten and Ferd. Our calculation methodology is independently verified by DNV Business Assurance.

Our solution allows companies to accurately measure Scope 1, 2 and 3 by easily combining the most appropriate calculation methodologies. With our solution companies can automatically match emission factors with activities by year, region, and product category. We offer an easy and systematic way to monitor progress over time and compare emissions against industry averages or benchmarks.

We are happy to facilitate reporting on emissions in compliance with GHG protocol standards and other sustainability frameworks such as GRI, CDP (Carbon Disclosure Project), or ISO-14064.

Learn more about solution and book a demo if you want to learn more by using this [link](#).

Ignite Procurement
Edvard Storms gate 2
0166 Oslo
Norway

Post@ignite.no
www.igniteprocurement.com