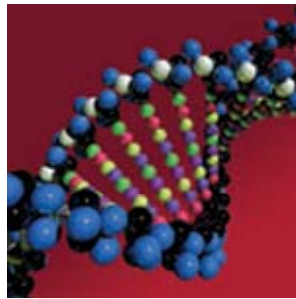


Addressing the Scope 3 Inventory according to WRI/WBSCD's New Value Chain Reporting Standard



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*Greenhouse Gas Strategies in a Changing
Climate, AWMA*

November 16, 2011



Introduction

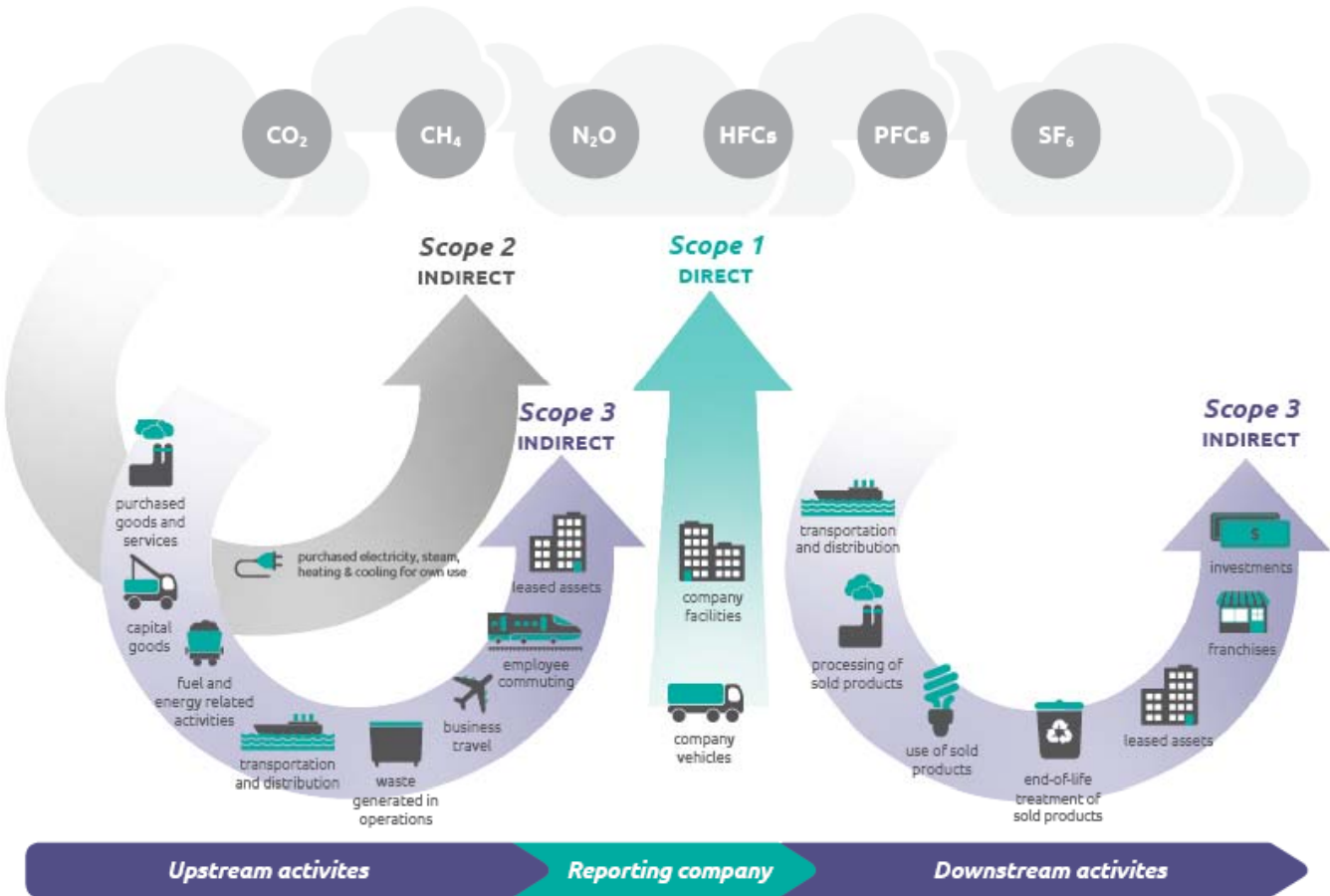
- Overview of *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*
- Drivers: Scope 3 Reporting Drivers and Case Studies
- Challenges: Challenges in Data Collection & Computation
- Data Quality: Issues around Data Confidentiality and Quality
- Leveraging Scope 3



What is Scope 3?



Overview of GHG Protocol scopes and emissions across the value chain



Source: GHG Protocol

Scope 3 Categories



Upstream	Downstream
1. Purchased goods and services	9. Downstream transportation & distribution
2. Capital goods	10. Processing of sold products
3. Fuel- and energy-related activities (not included in Scope 1 or 2)	11. Use of sold products
4. Upstream transportation and distribution	12. End-of-life treatment of sold products
5. Waste generated in operations	13. Downstream leased assets
6. Business Travel	14. Franchises
7. Employee Commuting	15. Investments
8. Upstream leased assets	



Drivers: Case Study



- *Case Study: Coca-Cola Enterprises*
 - CCE published their Scope 3 emissions according to WRI/WBCSD Protocol, including:
 - Electricity used in coolers and vending machines;
 - Business travel by rail and air;
 - Fuel used by third party distributors

Scope 3 Emissions: **582,587 tCO₂e**
73% of Total GHG Footprint



Drivers: Operational Efficiencies



1. Identify Operational Efficiencies and Cost-Saving Opportunities in the Supply Chain

Case Study: Global Inks and Pigments Firm

Life cycle emissions

Opportunities for energy and carbon reduction along supply chain



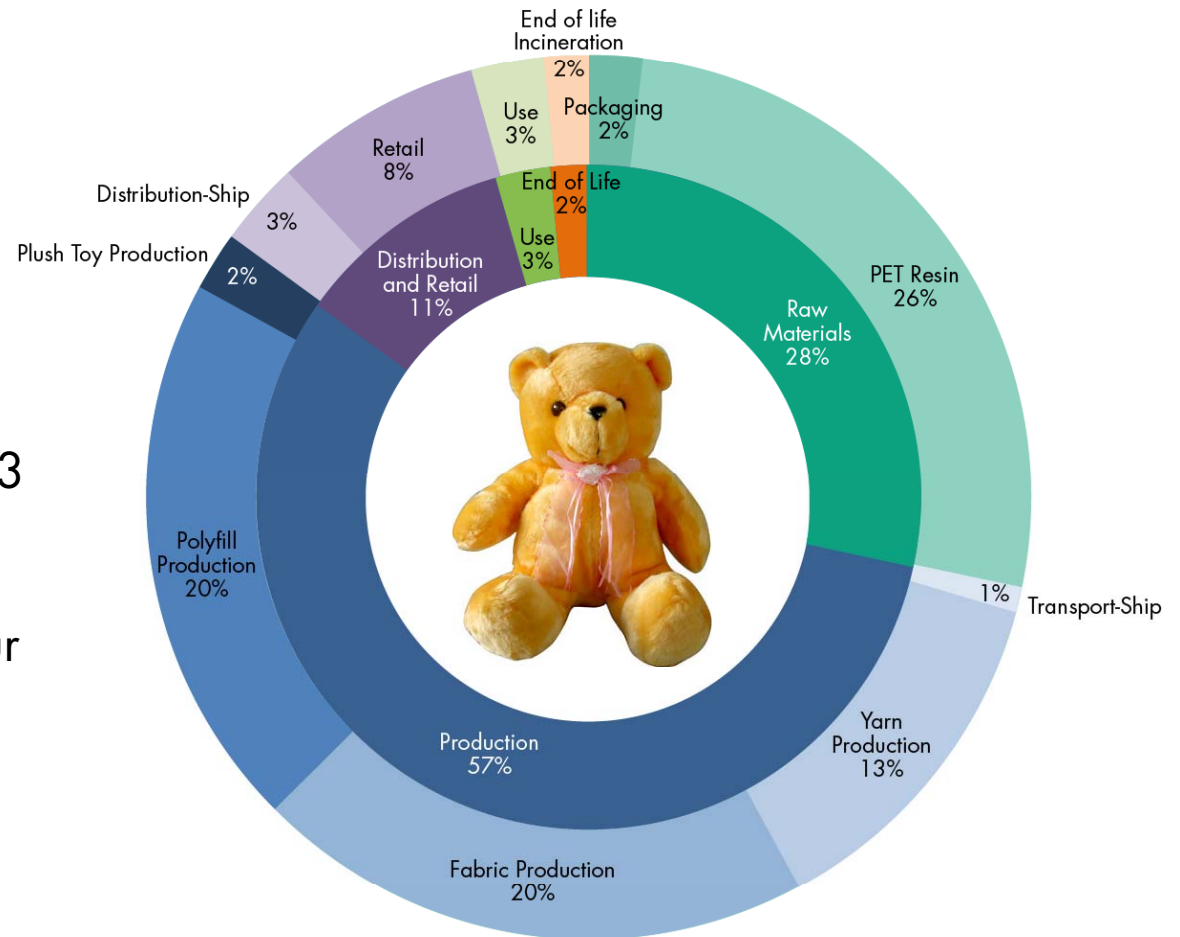
Drivers: Product Redesign



Case Study: Global Media & Entertainment Co.

Product Carbon Footprints of 3 products.

What has the biggest impact and how can we re-design our products?



Drivers: Meeting Customer Requirements

Tools & Resources

If you have not already gotten started on your journey, or are looking for some helpful tools and resources along the way, here are a few suggestions:

1. Develop sustainable purchasing guidelines for your suppliers.
The following resources may be helpful in developing your own guidelines. (But remember, the first step in focusing on the most important guidelines is understanding the environmental impacts of your supply chain through life cycle analysis.)
 - WWF Global Forest & Trade Network: [Responsible Purchasing Guide](#)
 - EPA: [Environmentally Preferable Purchasing](#)
 - Environmental Defense [Buyer Guides](#)
 - [Responsible Purchasing Network](#)
 - [IKEA's IWAY Standard](#) is a great example of comprehensive standards
2. Explore applicable product certifications and/or standards.
 - The raw materials and components your source for your products, from cocoa to computers, may be eligible to become certified by a 3rd party certifying organization. Certified products must meet a set of criteria that include robust environmental and social considerations designed to minimize impact on the environment, people and communities. A listing of Walmart recognized certifications by product area is included above.
 - These labels tell the consumer that your product was produced (and contains materials that were produced) in a manner that minimizes impact on natural resources. This could include the elimination of harmful, polluting chemicals, preservation of biodiversity, and responsible harvesting for long-term, productive supply of resources including wood, minerals, and food and other agricultural products.
 - [TerraChoice's EcoLogo program](#) can help you navigate the complex certification landscape and provides auditing services.

But remember, the first step in focusing on the most important guidelines is understanding the environmental impacts of your supply chain through life cycle analysis

Drivers: Stewardship & Brand Image



4. Improving investor relations, strengthening brand image
5. Competition
6. Stewardship and Leadership



Setting precedent for industry

Focusing on a significant, solvable, relevant Scope 3



Drivers: Product Differentiation



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Products Services Industry Customer Center Contact Center About Us

TURNING 140 MILLION GALLONS OF USED OIL INTO NEW OIL YEAR AFTER YEAR.

MAKE GREEN WORK

Safety-Kleen enables companies to fulfill their green initiatives. We push beyond recycled thinking to break new ground and create an environment that's good for business and the planet. In short, we make green work.

"We're Turning Motor Oil Green"

Safety-Kleen News

- Toronto Transit Re-Refines Waste Lubricants 12/16/2009
- Farrell Oil Delivers Green Oil 12/15/2009
- President & CEO Fred Florjancic to Retire 12/7/2009

The Eco-Friendly World of Motorsports

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Challenges: Data Collection and Computation



- Large number of suppliers
 - Target most relevant suppliers based on spend and/or anticipated emissions impact
- Lack of supplier knowledge
 - Use a simple, standardized data template
 - Training via webinar
- Lack of supplier capacity for tracking data
 - Leverage resources from supplier trade associations, e.g. suppliers submit data to association for tracking/validating
 - Utilize web-based platform for collecting data



Challenges: Data Collection and Computation



- Lack of resources for tracking data
 - Use of third party database (Proxy Data)

Process Data	Economic Input-Output Data
Ecolnvent	Earthster (Open IO)
USLCI Database	EIO-LCA
CBECS	

- Extrapolated Data



Challenges: Data Collection and Computation



- Scope 3 Accounting & Reporting Standard
 - Chapter 6: Collecting Data
 - Chapter 7: Allocating Emissions
- Calculation Guidance for Implementing the *GHG Scope 3 Accounting & Reporting Standard*
 - DRAFT guidance released October 2011:
<http://www.ghgprotocol.org>
 - Methods for calculating GHG emissions for each of the fifteen scope 3 categories



Example Methodology, Draft Scope 3 Calculation Guidance



- Category 4: Upstream Transportation and Distribution
 - Fuel-Based Method or Distance-Based Method



OR

1	5	4	8	9	7	2
0	1	2	3	4	5	6
0	0	0	1	2	0	0
1	2	2	5	0	3	



Data Quality: Issues around Data Confidentiality



- Protect Supplier's confidential and proprietary information (e.g. NDA)
- Third party assurance
 - Ask suppliers to obtain third party assurance

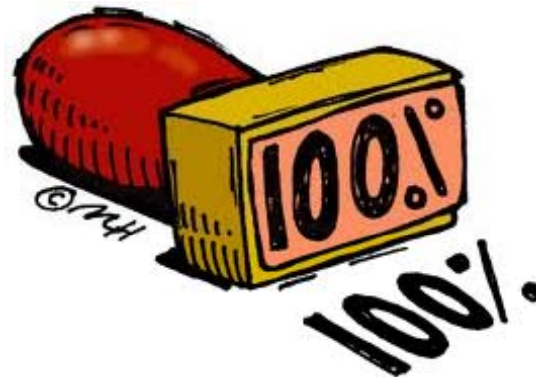
CONFIDENTIAL



Data Quality: Indicators



- Technological representativeness
- Temporal representativeness
- Geographical representativeness
- Completeness
- Reliability



Data Quality: Data Collection Tools



- Use Data Collection Tool to improve data quality
 - Data Validation
 - Web or Desktop Application



Case Study: Scope 3 Standard

- The Home Depot

- *Category 4: Upstream Transportation and Distribution*
- *Method 1: Fuel-Based Method*

Fuel Use = (Miles Traveled) / MPG * Number of Truck Trips

Calculate emissions based on published emission factors for each fuel type.

Goal: *The Home Depot pledged to remove 20% of greenhouse gas emissions from its domestic supply chain by 2015. That's equivalent to cutting 200 million distribution miles of travel - about 8,000 trips around the earth.*



Conclusion/Q&A



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GHG Protocol:

“The Corporate Value Chain (Scope 3) Standard allows companies to assess their entire value chain emissions impact and identify the most effective ways to reduce emissions. Often, the majority of total corporate emissions come from scope 3 sources, which means many companies have been missing out on significant opportunities for improvement.”

