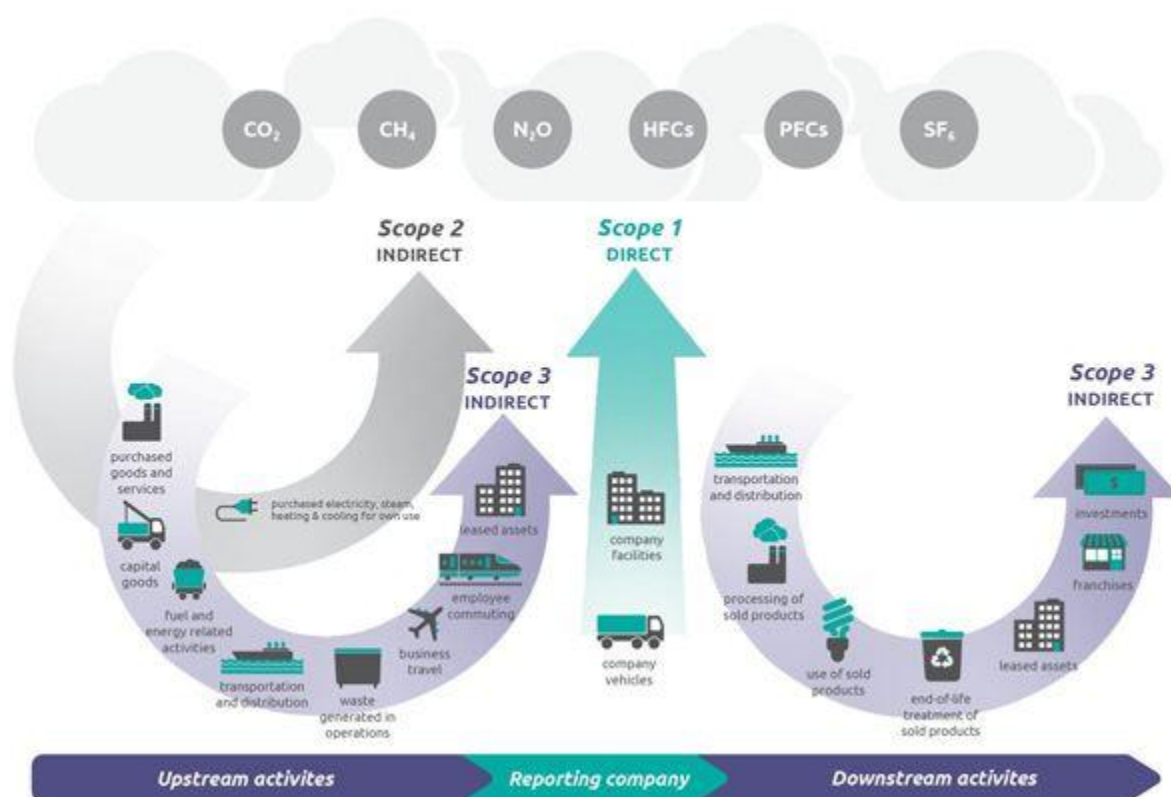


## Indirect carbon emissions and why they matter

The value of addressing 'scope 3' or indirect emissions.

By Hugh Jones, Managing Director of Business Advice, the Carbon Trust

**Figure [1.1]** Overview of GHG Protocol scopes and emissions across the value chain



Overview of Greenhouse Gas Protocol scope and emissions across the value chain. Source: [GHG Protocol](#)

According to our recent research, a combination of regulation and consumer demand means that 93% of multinational companies are now taking steps to address carbon emissions directly related to their business. More companies are recognising that lowering their carbon emissions leads to reputational and efficiency gains, which means savings to the bottom line and ultimately increased revenue.

## Addressing scope 3 emissions

There is also an increasingly pressing need to address a bigger challenge - 'scope 3' or indirect emissions that are a consequence of the activities of the reporting company, but occur at sources owned or controlled by another organisation - including both upstream and downstream of

companies along the value chain. This comprises those generated by all the emissions of everything a company buys, right back to raw material extraction or agriculture, as well as all the emissions that are produced from everything a company sells or disposes of, through retail, use and end-of-life.

Taking a 'carbon lens' to your value chain is another way to improve the environmental and economic performance of your business - it unlocks the way to do more with less.

To put this in context for an individual company, GlaxoSmithKline revealed in its 2010 Sustainability Report that 80% of its overall carbon footprint comes from indirect emissions - with 40% of this resulting from the use phase of its products, such as propellants in inhalers.

### **Business value**

As well as GSK, Carbon Trust Business Advice experts are also working with other forward thinking companies including BT, Taylor Wimpey and Whitbread to help them identify carbon hotspots within their supply chain and with some of our clients, uncover reduction opportunities, quantify the value at stake and set targets for the reduction of their indirect carbon emissions. These companies recognise the business rationale for reducing scope 3 emissions, for example, security of supply, resource scarcity, commodity inflation, waste reduction, supply chain optimisation, and enhanced customer value proposition.

As these leaders take action, public awareness and expectation of other businesses to do likewise is increasing and becoming a factor in product differentiation and consumers' buying decisions. Companies must also act to stay ahead of the competition.

If the world's leading companies see an opportunity to reduce their environmental impact, enhance their reputation, and boost sales by acting on indirect emissions, this will have implications for the many other businesses which supply them. Multinationals will increasingly seek partners which can support their environmental goals, especially as consumer demand for low carbon products continues to grow. New regulations and the move to consumption-based accounting, together with voluntary schemes such as the CDP, are also encouraging companies to seek advice on addressing their indirect carbon emissions.

### **Green supply chains**

A survey by Carbon Trust Business Advice has found that 50% of multinationals expect to select their suppliers based upon carbon performance in the future and 29% of suppliers could lose their places on 'green supply chains' if they do not have adequate performance records on carbon. Conversely, 58% of multinationals will be prepared to pay a premium for lower carbon supplies in the future.

Addressing indirect emissions is a significant challenge and is a complex area, yet we expect 84% of multinationals to look at ways of reducing their indirect emissions within the next three years. Now is the time to start evaluating how this will affect your business - as it will play an increasing role in purchasing decisions and in financial and risk planning. It will also be a key factor in distinguishing brands, building reputations and enhancing consumer loyalty.

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