



net zero  
CARBON

# GUIDES AND INSIGHTS

*4.3. Scope 3 emissions reductions*



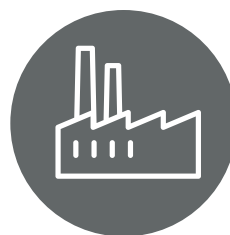
# Scope 3 emissions reductions

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*Scope 3 emissions are indirect emissions, and often represent the majority of corporate emissions. Reducing Scope 3 emissions is a significant challenge for businesses because their indirect nature means quantifying them and evaluating changes in them is difficult. As awareness of the importance of Scope 3 emissions increases, more companies are incorporating them into their climate targets. It is already necessary for a company with a science-based target (SBT) validated by the Science-based Targets Initiative (SBTi) to address Scope 3 emissions if their total is at least 40% of Scope 1 and 2 emissions combined.*

*There is a multitude of kinds of Scope 3 emissions. Some kinds are influenced by the direct operations of a company, while others are not. Some kinds originate in the supply chain of a company, while others are downstream, after the sale of a product or service. Some kinds can be directly quantified using data the company produces, while other kinds are difficult to quantify using any evidence that the company has access to.*

*This document will explore Scope 3 emissions reductions by categorising them according to the kind of action taken to reduce them. These are broadly operational or policy-based changes. While an exhaustive list would be impossible to produce, this document will attempt to capture a breadth of scenarios when managing Scope 3 emissions.*



## Operational changes

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Although Scope 3 emissions are indirect, they can be influenced by operational factors under a company's direct control. For example, while the emissions associated with the supply of water or processing of business waste are not directly produced, they can be lowered by reducing the amount of water consumed, or the amount of waste produced.

The challenge, however, is in quantifying these reductions. It is expensive to categorise and weigh business waste to get an accurate estimate of the emissions produced after its

collection. Business waste collection services are typically only evidenced by collection invoices with a fixed collection cost. Therefore, there are usually no default contractual options for basic collection services that yield data that can be used to estimate Scope 3 emissions. There is then less motivation for businesses to reduce those emissions, since quantifying them is a cost.

## Policy-based changes

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Policy-based changes for Scope 3 emissions reductions are made by introducing new criteria for selecting the third parties that support the business.

### These might be:

- The third parties in the supply chain of a product or service
  - This could be a third party providing unprocessed materials
  - This could be a third party providing logistics for a product
- The third parties providing ancillary services or materials
  - This could be a third party providing ancillary materials, such as IT equipment or stationary
  - This could be a third party providing ancillary services, such as the provision of water and business waste collection

When standards are imposed on the third parties a business contracts with, an entire industry can collaborate to develop sustainably. Policy-driven change is particularly important for large organisations, which tend to have wider third party networks. Their size and influence are important leverage for driving change across an entire industry.

The SBTi in its 'Value Change in the Value Chain' report identifies 'levers' businesses should use for Scope 3 emissions reductions. They are largely policy levers – affecting both direct and supporting operations, and are conceptualised both tactically and strategically.

- **Business model innovation**
  - Introducing an internal price on carbon – some businesses 'tax' themselves based on their own emissions, then reinvest the money into sustainable development. Good GHG inventorying practice is key to this initiative's effectiveness.
  - Consider shifting toward product-service systems. Product-service systems present greater opportunities for integrating sustainability.
  - Increase efficiency in logistics.
- **Supplier engagement frameworks**
  - Encourage suppliers to reduce their

emissions and create incentives for their action.

- **Procurement policy and choices**
  - Review current suppliers of materials and find alternative suppliers that are more sustainable.
  - Review current materials and find alternative materials that are more sustainable.
- **Product and service design**
  - Design products that are more efficient so that lifecycle emissions intensity is lower.
  - Integrate circular economy principles in product and service design.
- **Customer engagement**
  - Engage customers either directly through education, collaboration, or compensation, or indirectly through company regulation or customer motivation via marketing and choice architecture.
- **Operational policies**
  - Develop operational protocols.
  - Launching operational incentive programs.
- **Investment strategy**
  - Invest in low-carbon projects and companies and resilient development, and shift investment away from fossil fuels, accelerating the transition to a low-carbon economy.

## Non-emission targets

Using the levers above indirectly results in Scope 3 emissions reductions. It is simpler to produce and easier to communicate a supplier engagement target in non-emission terms, rather than express a supplier engagement target in terms of the emissions reductions it results in. Non-emission targets should be a component of Scope 3 emissions reductions. With good GHG inventorying practices, intended Scope 3 emissions reductions can be presented alongside a non-emission target.



# About Us

The UK has a net zero target for 2050. Businesses who are unprepared for it are exposed to long-term regulatory and reputational risk. If your business is looking to respond to the UK's 2050 net zero target, you're going to need a clear resource to help you through the complex process of developing and implementing a commercial decarbonisation strategy.

This is why Alfa Energy founded [netzerocarbon.com](https://netzerocarbon.com), the home of everything net zero you'll need. Along with our partners and industry collaborators, we will be bringing you a step-by-step guide to strategy development and implementation, regulatory and compliance developments, best practice advice and examples from industry experts and your peers, and roundups of ongoing stories in business decarbonisation.

We aim to provide you with a clear, straightforward approach to achieving net zero emissions and all you'll need to develop your knowledge and understanding of the opportunities to deliver this critical objective.

