



World Business Council for Sustainable Development



WORLD RESOURCES INSTITUTE

The Greenhouse Gas Protocol

Scope 3 Accounting and Reporting Standard

Comment Template

We are providing this template to streamline public comment submissions. To use this template, please follow the instructions below:

- This Scope 3 draft is open for stakeholder comment from November 11, 2009 through December 21, 2009.
- To provide written comments, please use the comment template provided, instead of sending comments in a separate file or e-mail, in order to streamline the comment process.
- When using the comment template, please organize comments by chapter/section and reference page numbers and line numbers.
- If you have questions during the public comment process, please email Holly Lahd at hlahd@wri.org.
- Submit comments as an attached MS Word file by email to Holly Lahd at hlahd@wri.org no later than **Monday, December 21st, 2009**. We appreciate any effort to submit written comments before the deadline.

Feedback from (name):
Organization: UK Government Department for Environment, Food and Rural Affairs (Defra) and UK Government Department for Transport (DfT)

Chapter/Section	Comments
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The outline and overall structure of the document	<ul style="list-style-type: none"> Defra welcomes the draft Scope 3 reporting Standard as a significant step forward in scope 3 reporting. We support the overall depth and scope of the Standard and look forward with interest to the results of the road-testing phase. N.B page numbers in this response refer to the full scope 3 standard version unless otherwise stated.
Part 1	
1. Introduction	<ul style="list-style-type: none"> Defra welcomes the development of a detailed scope 3 reporting standard intended for use by all organizations regardless of size and sector. Defra would be particularly interested to see any further information on the link between the product life cycle standard and the scope 3 standard in section 1.4 and the development of a product and corporate wide inventory Section 1.6.2 reporting requirements: requires all six Kyoto Protocol GHGs to be reported separately. The UK Government has produced GHG reporting guidance based on the GHG Protocol Corporate Reporting Standard and found, during extensive public consultation of our draft, that the recommendation of reporting the six gases separately was particularly unpopular. In the main respondents to the Defra consultation stated that the reporting of separate gases should occur where the gases are material to the reporting organisation, perhaps using a significance threshold to determine this. The UK Government guidance does not recommend reporting the six gases separately, but that the gases are reported as a CO₂e figure.
2. Accounting & Reporting Principles	<ul style="list-style-type: none"> Defra agrees that these should be consistent with the accounting and reporting principles found in the GHG Protocol Corporate Standard
3. Business Goals & Inventory Design	<ul style="list-style-type: none">
4. Mapping the Value Chain	<ul style="list-style-type: none"> A key factor that needs to be made clear, here is what information is expected from a tier 1 supplier. Part 2 in the full standard clearly explains that the supplier's emissions for inclusion vary dependent on which category of the supply chain they fall into, however this should be made clearer upfront to reduce confusion. Furthermore, clarity would be added by clearly stating what data is expected from a tier 1 supplier. This could take several forms: <ul style="list-style-type: none"> - the supplier's total scopes 1 + 2; or - the supplier's total scopes 1+2+3; or - an allocation of either of these options specific to the reporting organisation. <p>This will inform the data requests between organisations and their suppliers and reduce confusion in other areas of reporting, such as allocation. Which approach is required / recommended by the standard or a clear hierarchy of which should be used is necessary and is not adequately captured in the standard in its current form.</p> Section 4 - An organisation's decision on the time point used to assess the value chain should be consistent year on year for that organisation in order to



	<p>foster consistency.</p> <ul style="list-style-type: none"> • Figure 5: Emitting activities and scopes across a value chain. Whilst Defra supports the standard remaining non-sector specific, there should perhaps be an explanatory note for transport operators explicitly explaining how the boundaries for scope 3 reporting apply to them. Defra’s current advice to the transport sector is that the emissions associated with the goods transported are not included in a transport operator’s scope 3 emissions as they never have control over these items. The scope 3 of a transport operator relates to upstream extraction and production emissions of purchased fuel , equipment, office supplies, catering etc, and the inclusion of other areas such as commuting and business travel. At the workshop on the draft standard attended by Defra, there seemed to be confusion amongst transport operators (particularly around more complex contracts where whole logistics operations are outsourced and parts of the transport activities are outsourced to further companies) on this topic and so some further explanation would be helpful.
5. Setting the Boundary	<ul style="list-style-type: none"> •
5.1 Prioritizing Relevant Emissions	<ul style="list-style-type: none"> •
5.2 Prioritizing Relevant Emissions Based on Size	<ul style="list-style-type: none"> •
5.3 Prioritizing Relevant Emissions Based on Other Criteria	<ul style="list-style-type: none"> • It would be useful for criteria 4 in this section, in both the full and summary document, to state this includes outsourced activities that were previously done in-house. This is explained in the text on page 21 of the full standard but should be made clearer as this is a key criteria for boundary setting which could otherwise be missed easily.
6. Collecting Data	<ul style="list-style-type: none"> •
6.1. Prioritizing Activities	<ul style="list-style-type: none"> • Although the theoretical premise for identifying and prioritising scope 3 activities seemed to be well supported, the discussions had at the London workshop made it apparent that there was a great deal of confusion over methods for doing this. Further guidance on or signposting to the types of tools available for estimation would provide a helpful starting point for reporting organisations. An example would be the input-output model, such as that used in the Defra conversion factors, would provide a helpful starting point for reporting organisations. Annex 13 of the Defra conversion factors can be accessed from the following address as an example http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm
6.2. Assessing Data Sources	<ul style="list-style-type: none"> • The assessment of the quality of data should be a requirement of the standard and as such this section should be reworded as ‘companies shall assess data sources....’. This will create greater consistency and transparency of data source and use by requiring organisations to justify their use of data, particularly as the use of the data hierarchy is not a requirement.
6.3. Collecting data	<ul style="list-style-type: none"> •



7. Allocating Emissions	<ul style="list-style-type: none"> • The allocation issue is one of key concern to many sectors, particularly those who are asked for information from their customers. In making this section of the guidance clearer, it would be helpful for the standard to have already set out what is expected to be reported by a tier 1 supplier to the reporting organisation. Please refer to Defra’s comments on section 4 ‘mapping the supply chain’. Further clarification of this expectation, in particular what data a reporting organisation should be looking to collect from suppliers, will make engagement between companies and their suppliers much simpler. • The suggestion in the draft standard is that the reporting organisation will undertake the allocation calculations, however there are industries such as retail and transport where current practice is the opposite way around – i.e. the reporting organisation requests only the part of their supplier’s emissions which is relevant to them from their suppliers. The scope 3 Standard should provide sufficient guidance to allow both of these approaches to be carried out. Again, Part 2 of the standard does provide more detail but this is an important principle which should be made clearer from the outset. • Defra and DfT are engaging with the UK transport industry on the issue of allocating emissions. We welcome the recommendations set out in the draft Standard, however we would like to emphasise the difficulties noted by this working group in developing an industry standard approach to allocation rules which apply across the transport sector where there are complex logistics operations involving multiple customers. This issue should be addressed fully in the road-testing phase to understand its practicalities for transport operators and the recommendations of the standard reviewed as a response.
12. Assurance	<ul style="list-style-type: none"> • Section 12.2: In the absence of international consensus on an assurance standard for GHG emissions inventories and the ongoing current developments in this area, Defra supports the ability of an organisation to choose when and what type of assurance is appropriate. As this standard is drafted to apply to all organisations who would have varied needs for assurance, it would be useful for further expansion of this section to provide some guidance on under what circumstances it is appropriate to select either option.
13. Reporting and Communication	<ul style="list-style-type: none"> • 13.1 Defra would like to recommend some additional required information: <ul style="list-style-type: none"> - In addition to the separate reporting of scope 3 emissions by source, an indication of the quality of that source of data - Baseline year data for comparing emissions over time and progress towards targets • 13.2 additional optional information <ul style="list-style-type: none"> - Business goal or targets set and progress to date towards these. • The reporting template in figure 13.1 should clearly state what units are expected for the data (i.e. tonnes CO₂e) and should include a column to capture baseline data. It would also be useful to have targets or goals reported



	<p>with the data in this table.</p> <ul style="list-style-type: none"> By requiring organisations to report scope 3 categories separately, it provides a detailed level of data and thus enhancing the transparency. However, there is the temptation for organisations to report a total corporate footprint and where this is not appropriate due to the nature of the data collected, (e.g. double counting) then this should be made clear to reporting organisations. Please see response to Part 2, ch 1 below.
Part 2	
1. Purchased Goods and Services- Direct (Tier 1) Supplier Emissions	<ul style="list-style-type: none"> Defra understands the differences between the methods for this category (1) and category 2 (purchased good and services – cradle to grave) and the intention to highlight different parts of the supply chain. However, the two categories have the potential to identify the same suppliers and therefore double-count the emissions from these suppliers. A more complete picture of the nature of the supply chain could be gained by this category extending its scope to include the tier 1 supplier’s scope 3 emissions but this would then overlap with category 2. The reason for the separation of these two categories needs to be made clearer in the Standard. Close attention should be paid to the benefit of separating categories 1 and 2 during the road-testing phase. The road-testing will identify if separating these two categories provides any practical issues for the reporting company as they could potentially be asking their suppliers for more than one set of data.
2. Purchased Goods and Services – Cradle-to-Gate Emissions	<ul style="list-style-type: none"> Please see comments to category 1
3. Energy-Related Activities Not Included in scope 2	<ul style="list-style-type: none">
4. Capital Equipment	<ul style="list-style-type: none">
5. Transportation & Distribution (upstream/inbound)	<ul style="list-style-type: none"> Referring to Defra’s general comment for this section (below), we have had extensive engagement with the transport sector on the issues of scope 3 and allocation in particular. In the UK, current activities see the transport operator (upstream supplier) providing allocated carbon emissions to their customers (reporting organisation). The methods currently described in the standard are not written from the transport provider’s perspective. The Standard would benefit from providing equal weighting to these calculations being approached from a transport provider’s perspective as well as the perspective of the reporting organisation as this would provide greater clarity to those who are reporting their emissions through allocation methods.
6. Business Travel	<ul style="list-style-type: none">
7. Waste Generated in Operations	<ul style="list-style-type: none">
8. Franchises Not Included in Scope 1	<ul style="list-style-type: none">



and 2 (Upstream)	
9. Leased Assets Not Included in Scope 1 and 2 (Upstream)	<ul style="list-style-type: none"> •
10. Investments Not Included in Scope 1 and 2	<ul style="list-style-type: none"> • Defra welcomes the inclusion of GHG emissions associated with investments into the Standard, either in category 14 as sold products or under this category (please note the reference to section 13 on page 75 should be amended to read section 14). It is hoped that this will encourage investment managers to take into consideration the carbon intensities of their portfolios and therefore provide an incentive to increase responsible investment. However, the draft Standard is lacking in specific advice on the methods available to calculate the emissions associated with investments. More guidance would be needed here although this is expected to fall in the expansion of section 10.3 calculating emissions. • In section 14 it would be useful to have a note on how to deal with financial service products which fall into this category, and refer them back to the methodology in this section, particularly because section 10 directly references this section
11. Franchises (Downstream)	<ul style="list-style-type: none"> •
12. Leased Assets (Downstream)	<ul style="list-style-type: none"> •
13. Transportation & Distribution (Downstream/ Outbound)	<ul style="list-style-type: none"> •
14. Use of Sold Products	<ul style="list-style-type: none"> • Perhaps it would be useful for the concept of 'use phase' to be extended to cover end of life phase too as this will be where there are significant amounts of emissions for many products, particularly those with zero emissions during use phase such as furniture. This will allow companies to conceptualise across their product range, the concentrations of emissions, however section 15 would then need to be merged into this section • Table 14.1: Defra agrees with the proposed 1-4 product types as required disclosure categories. 'Fuels' should be extended to include biomass and biofuels. • Table 14.1: Category 7 seems misplaced amongst the other categories and would be very difficult to calculate. This would require separate reporting as a reduction and there would need to be more in depth guidance as to the temporal boundaries of when reporting would be appropriate. Furthermore, is this intended to include carbon sinks and how would these be accounted for? Defra recommends that this category is removed from the table altogether. • Table 14.1: Category 8 would be more relevant to reporting if the requirement extended to cover the end of life and disposal phases.



15. Disposal of Sold Products at the End of Life	<ul style="list-style-type: none"> • This would be more usefully combined into the previous section so that sold products are dealt with once and in a complete manner. A table similar to the one on page 85 following example 14.2 would be helpful to expand on the methods for waste disposal calculations
16. Employee Commuting	<ul style="list-style-type: none"> •
Glossary	<ul style="list-style-type: none"> •
Any other general comments or feedback	<ul style="list-style-type: none"> • As a general comment to the Part 2 section of this standard, it would be clearer to set out earlier in the standard what data is required from suppliers and in what form, in terms of data disclosure – please refer to Defra’s response to section 4 in Part 1. Part 2 suggests in parts that the onus is on the reporting company to collect data from their suppliers and then calculate how this is allocated to them. However in practice there are sectors where the opposite is happening as the carbon emissions associated with the service or product is a selling point to the customer – i.e. a supplier is providing the information to the customer (reporting organisations) in order to sell the product or service and therefore the supplier is doing the allocation calculations. It is necessary to bear this in mind for Part 2 of this standard as the different audiences impact on the applicability of the guidance set out. • It would be helpful for there to be a section or appendix which discusses some of the available estimation tools (such as input-output models like that found in the Defra Conversion Factors) in order to provide some more advice to reporting organisations on a starting point when prioritising scope 3 emissions categories, especially relating to those in the supply chain. This should also reference the work on Life Cycle Analysis and the tools used in these methods. At the London workshop attended by Defra, there was considerable confusion on the appropriate use and existence of such methods.

