



## **How can telcos collaborate to avoid a climate disaster?**

Telcos may be underestimating the importance of collaboration when it comes to achieving their sustainability targets.

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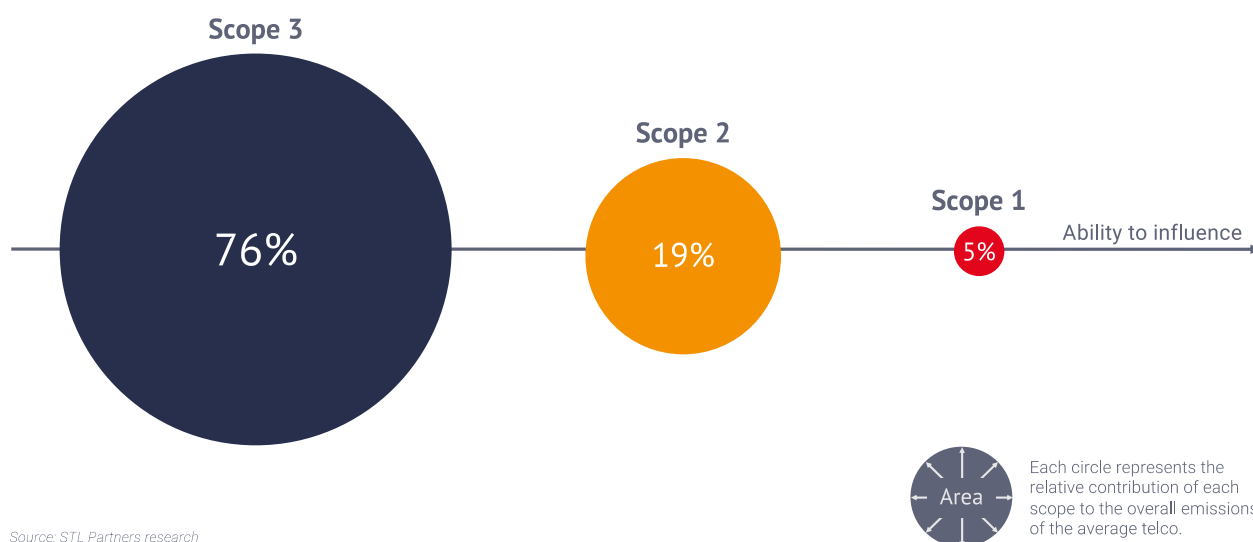
## Telcos can play a pivotal role in mitigating climate change

Recent estimates suggest that the telecommunications industry is responsible for between 1.5% to 3% of global emissions which places them in the same range as the aviation industry's 2%. This is a huge proportion of global emissions, and as demand for connectivity continues to surge globally, telcos may contribute to growing rather than reducing global emissions.

Despite the scale of the issue, reducing emissions should be seen as an opportunity rather than a challenge. Fast moving telcos will be able to capture more value from customers and shareholders who are increasingly concerned with their carbon footprints, whilst contributing to a more sustainable planet.

However, given how ubiquitous the telecoms industry is and how intertwined it is with the global economy, collaborating with other players inside and outside of the industry will be essential to achieve emission reduction targets.

## Telcos have little direct control over scope 2 & 3 emissions making collaboration a necessity to reach net-zero



The bad news for telcos that are eager to reduce their emissions is that the vast majority of their emissions are derived from elsewhere in the value chain and are challenging for telcos to affect. Scope 1 emissions, which are under their direct control and are incurred during activities such as driving a van only account for 5% of the average telco's emissions. Thus, common carbon reduction strategies such as moving to electric vehicles, will make a negligible difference to CSP emissions. Scope 2 accounts for another 19% of emissions. It refers to emissions incurred on purchased electricity, heating and cooling. Scope 2 are relatively easy to affect compared with scope 3 emissions, which makes up the remaining 76%. Scope 3 refers to emissions incurred by the remainder of the value chain, such as those incurred when vendors manufacture and distribute the network equipment running telco networks. Scope 3 also includes downstream emissions, including

**How can telcos collaborate to avoid a climate disaster?**

emissions from the power consumed by customers when charging computers or smartphones that use network services.

In terms of the ability to reduce these emissions, scope 1 are the easiest because telcos can make direct investments to make their operations more sustainable. Scope 2 are slightly more challenging due to market availability, but telcos can choose to procure more green energy through power purchase agreements (PPAs) from providers that use renewable energy sources. They could even move data centre workloads closer to sources of renewable energy which could help them reduce scope 2 emissions significantly, as VMware has shown with its Cloud Workload Placement solution (more information is available on this in our [net-zero enablement use case directory](#)). Scope 3 are not only by far the largest category of emissions but are also the most challenging for telcos to influence on their own. This is due to supply chain complexity and minimal control over how consumers and enterprise customers choose (and dispose of) their products and services. Another complication is different scope 3 emissions reporting standards, which can make it difficult to get an objective view of one's own or others' performance and improvements over time and to make direct comparisons.

## Telcos can pull on several 'levers' to influence stakeholders who contribute to their scope 3 emissions















The good news is that owing to the scale of the industry, telcos can band together to influence scope 3 emissions. When they collaborate, telcos can pull on several 'levers' to influence non-telco stakeholders into reducing their emissions and thus reducing the telcos' own indirect emissions. For example, they can...

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- **Share best practices & resources** to enable suppliers and downstream customers to accelerate their progress. For example, telcos may encourage retail customers to purchase more energy efficient smartphones by showing an eco-rating in store and online. They could also nudge customers to purchasing these through smart product placement both physically in store and virtually online.
- **Impose 'sanctions'** against unsustainable suppliers. If a vendor fails to meet sustainability expectations, telcos could collectively 'sanction' the vendor and decide not to purchase from them. This would incentivise vendors not only to produce products that enhance telco operational sustainability, but also to minimise telcos' scope 3 emissions by minimising their own.
- **Apply purchasing power pressure** by integrating sustainability KPIs into SLAs and contracts with suppliers. Telcos could mandate their suppliers to report on their own sustainability KPIs, such as emissions incurred during site visits and to include these in their SLAs.
- **Define standards** that ensure suppliers create sustainable products. Telcos could be involved in defining standards that their vendors must adhere to. For example, they may engage standards agencies to set environmental performance benchmarks that vendors must meet for their products to reach market. These could be product performance benchmarks but also sustainability benchmarks that must be met during the production of the product, hence an impact on scope 3 emissions.
- **Engage in shareholder activism** by making strategic investments to gain control over supplier sustainability initiatives. Whilst more of a speculative lever, it is possible to invest in suppliers to help them accelerate sustainability initiatives and 'greenify' their operations, reducing both the supplier's scope 1 emissions, as well as the investors scope 3 emissions if they are also a customer of the supplier.
- **Standardise scope 3 emissions reporting** across the telecoms industry to ensure that it's possible to accurately compare telcos against each other and themselves over time. Telcos should collaborate to adopt the same reporting frameworks and to encourage standards agencies to impose these on other industry players.

## Collaborative initiatives can enable telcos to take collective action to pull the 'levers'

Collaborative initiatives and organisations can create forums that enable different ecosystem players to get together and take coordinated action aimed at reducing each member's emissions. The table below shows several initiatives that are enabling telcos to pull on levers that positively influence their own sustainability performance.

Initiative	Key activities	'Lever' influenced
 GeSI ENABLING DIGITAL SUSTAINABILITY	GeSI's key activities involve sharing reports, frameworks, tools, etc. to help other members implement practices that reduce their carbon emissions	 Sharing best practices & resources
 JAC COOPERATION BEYOND COMPETITION	JAC members audit their suppliers to discover their sustainability performance and implement 'Corrective Action Plans', which mandate that they mitigate any issues raised during the audit before the next one	 Coordinated 'sanctions'
	There may be an opening here for a consortium to surface that agrees on environmental performance KPIs to be integrated into SLAs with vendors	 Purchasing power pressure
 ETSI	ICT standardisation body ETSI is working on sustainability standards such as energy efficiency standards	 Standardisation
 THE CLIMATE PLEDGE	Have raised a \$2bn venture fund aimed at start-ups solving climate related problems, that have a positive knock-on effect on signatories own carbon reduction efforts	 Shareholder activism
 CDP DISCLOSURE INSIGHT ACTION	The Carbon Disclosure Project has scope 3 emissions reporting guidelines and is encouraging regulators and standards agencies to adopt them, many telco members are already disclosing their emissions using the guidelines	 Scope 3 reporting standards

## Sustainability initiatives must focus on impact rather than membership growth

In February, we added a 'Collaboration' score to [STL Partners' Sustainability Scorecard](#). The scorecard contains 8 sustainability metrics and organisation are scored on a scale of 1-5 across each of these to arrive at their overall rating. For telcos to score well on the 'Collaboration' metric, they must show active involvement in sustainability initiatives that have proof of positive impact. During the scoring, we saw the good intentions that these initiatives and members have, but also witnessed the failure of many to prove an impact on the telecoms industry's sustainability. This explains the fact that telcos scored on average only 2.7 out of 5 on this score, which is substantially lower than the average telco score of 3.3 across the other scorecard metrics.

Given the urgency of the climate crisis and the necessity of collaboration, it's critical that these initiatives start to have the impact that they are aiming for. There are three practices that cross industry collaboration efforts can engage in to accelerate their progress.

1. **Set goals and objectives** – Initiatives must have clear goals and objectives that can be measured accurately. They should also supplement longer-term goals with shorter-term milestones to ensure they are pursuing goals with a sense of urgency.
2. **Measure success** – Initiatives must collect high quality, relevant data that are transparent and translatable into easily understood KPIs, which can be used to measure progress as they pursue their milestones and goals.
3. **Ensure accountability** – Setting mandates for initiative members is essential for accountability. Initiatives should then monitor KPIs on a member-by-member basis to ensure compliance with mandates. If members fail to comply, there should be a clear penalty and/or termination policy.

To tackle most of their emissions and contribute to a resolution to the climate crisis, telcos must collaborate with organisations and individuals who contribute to their scope 3 emissions. This is

**How can telcos collaborate to avoid a climate disaster?**

possible but requires a strategic approach centred on leveraging the influence they have on suppliers and customers and banding together into initiatives with rigorous objective setting and performance monitoring practices and doing so quickly.

## **How STL Partners Sustainability practice can support you**

Tackling climate change has moved to the top of everyone's agenda. This includes the telecoms industry. Operators and their partners are committing to reduce their carbon footprints over the next decade: in many cases to net zero.

Sustainability is a key component of the Co-ordination Age: STL's vision for the future of telecoms. Through our research, consulting and participation in telco sustainability events we share best practice, insights and supporting rationale for the industry to accelerates its transition.

Get in touch to understand how STL Partners can support you: [will.davies@stlpartners.com](mailto:will.davies@stlpartners.com)

Or visit STL Partners' Sustainability hub

[www.stlpartners.com/telecoms-sustainability](http://www.stlpartners.com/telecoms-sustainability)