



Towards a platinum standard within scope 3 emission calculations

As scope 3 emissions continue to pose the most significant barrier to telcos' net-zero targets, STL explores the ways in which the industry can address this challenge.

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Scope 3 emissions account for the majority of telcos' emissions, but also the largest challenge

Scope 3 emissions pose the most significant challenges for organisations in meeting their net zero targets. For example, in the telecoms industry, scope 3 emissions account for 70-90% of telcos' total emissions.

However, there are several challenges associated with reducing scope 3 emissions:

- As scope 3 emissions arise from both upstream and downstream supply chains, companies tend to have the least visibility and control over the activities that are responsible for CO₂ emissions and rely on transparency both from suppliers and end users to be able to report on and reduce these emissions.
- Within existing scope 3 reporting frameworks, results are not reported in a granular way and are normally based on emissions factors (more detail below). This means that scope 3 reporting tends to be unhelpful in directing efforts for reducing emissions.
- Without better transparency within scope 3 reporting, it is difficult for operators to assess which suppliers, products and services that are most sustainable and therefore the sustainability efforts of certain players are not rewarded. Essentially, current practice is not set up in a way that will drive behavioural change.

As a result, STL Partners suggests an enhanced analysis and reporting framework to help resolve some of these industry challenges. With greater standardisation and granularity in scope 3 reporting, this can benefit both telcos (that want to select upstream suppliers based on their sustainability credentials) as well as their suppliers that are making efforts to be more sustainable but whose efforts are currently obscured by an unsophisticated scope 3 reporting mechanism.

What is the basic practice, better practice, gold and platinum standards when calculating scope 3 emissions?

Level	How is carbon calculated?	What does this mean?	Drawbacks
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<p>Basic practice</p>	<p>By industry level factor/expense code</p>	<p>This is the most common methodology for companies looking to calculate and report their scope 3 emissions.</p> <p><u>By industry level</u></p> <p>For upstream emissions, this is calculated by first taking the total amount of emissions that the industry is responsible for, then calculating the market share of the supplier and finally the spend with that supplier to derive the estimated carbon emissions that arise from procuring with a particular vendor.</p> <p><u>By expense code</u></p> <p>To derive industry level expense codes which translate into carbon emissions, companies can access standardised spreadsheets. For example, some are developed by the GHG protocol or by national governments which provide values for the seven main GHGs that contribute to climate change.</p> <p>Each of these GHGs has a conversion factor, often presented in units of 'kg of CO2 equivalent of Y per X'. Y is the gas emitted and X is the unit activity.</p> <p>So, when a company procures something from a supplier, they take the total spend with that supplier and multiply by the standard expense code.</p>	<p>There is no granularity within this method as it assumes all suppliers in an industry are equally carbon intensive (the same emissions per \$ spend)</p>
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Better practice	By supplier	<p>The supplier registers their disclosures with CDP, for example the CDP gives them a code – which might be better (lower) than the industry average, giving them a better factor that can be multiplied by spend.</p> <p>The buyer then calculates total spend by supplier factor.</p>	<p>Little granularity with this method as it assumes all products/services from one company carry the same carbon emissions.</p>
Good practice	By product line	<p>Different products or services that a vendor sells are associated with different levels of carbon emissions. For example, software versus hardware will have different levels of embedded carbon (per unit spent) that is not accounted for in other scope 3 calculations.</p> <p>This method would involve blending the expense line item from above, with supplier product lines.</p> <p>For example, Apple may have a different factor for software versus hardware, so that buyers can then multiply by their total spend on software * SWF, then hardware spend * HWF.</p> <p>Apple has to do this themselves, and specific for their company</p>	<p>This method provides more granularity but still assumes that all products within a line (e.g., all hardware products) carry the same carbon emissions, which is very unlikely to be accurate.</p>

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Gold practice	By product type/model	<p>The supplier calculates and provides the embedded carbon of individual devices, software or service components within a product line.</p> <p>E.g., iPhone 13 – has a specific carbon/emissions value per unit (e.g., instead of a generic ‘factor’, the value per unit might be the kg Co2 eq value per unit, which includes the emissions involved in the production, transportation and packaging).</p> <p>The company procuring the products then multiplies the number of devices procured by the individual emissions value (as opposed to factor) of that product.</p>	There are no major drawbacks with this approach, it is more granular and accurate than alternatives although it does place responsibility on the supplier to calculate the emissions of their individual projects which will be onerous initially.
Platinum practice	By device instance or specific service instance	<p>This approach accounts for recycled or reused equipment, which incorporates the scope 3 impact that this can have. A recycled device would therefore have a lower value than a newly manufactured device. This allows the company procuring the product to legitimately claim a lower scope 3 footprint.</p> <p>Providers like TXO, Cisco, Juniper, Dell and HPE that offer refurbished and recycled telecoms infrastructure equipment, are active in this space and should even be more attractive partners to telcos and other customers regardless of their actual devices</p>	This is the most granular approach to scope 3 reporting that would help drive behavioural change by rewarding CSPs for procuring more sustainable, recycled or refurbished equipment.

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		or services actual relative carbon performance as this will remain one of several factors in decision making.	
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Ultimately, the telecoms industry will need to meet its ambitious net-zero goals through greater efforts focused on tackling scope 3 emissions. Addressing the scope 3 challenges requires collaboration across the entire ecosystem: for example, if one vendor provides greater transparency using a common open schema, all players benefit. Whether that's from providing a best practice example to competitors or through improved reporting for customers, it's a win-win. However, for true progress to take place, procurement practices and standards need to be designed in a way that will drive behavioural change across the entire ecosystem.

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:
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Or visit STL Partners' Sustainability hub:
www.stlpartners.com/telecoms-sustainability