



SUSTAINABILITY AS A STRATEGIC IMPERATIVE: EMBEDDING SUSTAINABILITY INTO TELCO DNA

Webinar: Questions and Answers

Questions and Answers

*This document outlines the questions and answers received from the STL Partners webinar, **Sustainability as a Strategic Imperative: Embedding sustainability into telco DNA** which was hosted on Thursday 27th July 2023.*

***You can watch the recording of the session, and also access the slides, using the link [here](#).** In this document, we seek to address the questions raised in the webinar that we were unable to address in the time available.*

If you have any questions not addressed in the webinar or this Q&A document, or want to hear more about our latest research or from our panellists, please contact:

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1. **What are the main challenges you are meeting in measuring the emissions avoidance enabled by your products?**

Jean-François Cognet: First comes first, one needs to agree on a common methodology to estimate emissions avoidance – to avoid greenwashing and be in a position to compare apples with apples, and ensure that one takes a holistic view of the carbon impact. This is why the Orange Group contributed to the recommendations set out by the ITU (ITU-T L.1480) for such an estimate, which takes into account the primary (carbon cost for implementing the solution) and secondary (direct carbon avoidance after implementing the solution, rebound effect, etc.) impacts the telecom / IT solution that has been put in place.

Orange has conducted a few trials, applying the recommendations to a few selected products (e.g. virtualized desktop solutions, solutions for connected fleet of vehicles, resale of electricity generated from solar panels in Poland) and use cases (impact of teleworking on an Orange site). The key takeaways were as follows:

- It is important to focus on the use case (i.e. how the solution is being used: are all the features of the solution enabled? Does it replace an older solution, or does it come on top of it? Have users been trained to take advantage of the newly implemented solution?) rather than on the product / solution itself without usage context.
- Access to real data on how the solution is being used is paramount, and this requires close cooperation with the entity / customer using the solution and with the OEM supplying the platforms and devices.

- One has to accept that things will need to be simplified at times (i.e. ignoring secondary impact with a small impact) to make the modelling manageable, the objective really being to come up with a sensible order of magnitude showing where the big stakes are (e.g. “the solution will bring significant carbon abatement if feature xx is enabled and used and the older platform is decommissioned”).

Overall, our experience is that transparency (on the model, assumptions, etc.) and humility (there are at times as many questions as answers) is key for being seen as a trustworthy party on that topic of emissions avoidance, but when that is in place, this brings a truly competitive advantage.

2. **Jean-Francois, do you have a program to help your suppliers to reduce their emissions (i.e. beyond just webinars, such as paid consultants or more hands on support for suppliers)?**

Jean-François Cognet: Orange does not have a formal program in place to help their suppliers. The main reason is that the bulk of our (upstream scope 3) carbon footprint comes from larger OEMs who already have the know-how and reduction ambitions in place. However, it is important to let one’s supply-chain partners know how significant they are in terms of “carbon weight”, and make sure they understand that carbon is becoming an important selection criteria (together with BuyIn, our procurement joint venture with Deutsche Telekom, we have now set in our RFP a 20% weight on sustainability criteria), or develop joint plans for carbon reduction (e.g. by reviewing the logistic process, by extending the life-cycle of the purchase assets and/or implementing circular economy practices such as procuring reconditioned units instead of new ones).

As a side note, we have seen indeed a couple of our B2B customers developing such programs – mostly in industrial / manufacturing sectors. Typically, they will provide (at times paid-for) assistance to help their smaller suppliers to purchase electricity from renewable sources, or to streamline their logistics or manufacturing processes.

3. **What are the sustainability obligations in the ICT sector? And what are the benefits the telcos will have other than saving?**

STL Partners: In response to the first questions, the ICT sector is directly responsible for around 2% of the worlds total output of green house gases every year, so the sector’s primary obligation is to minimise these emissions. The industry is currently making relatively good progress in this area, as is evident by the fact that companies like Orange are managing to considerably reduce their scope 1 and 2 emissions. However, to continue to make progress, the industry must collaborate to drive innovation on things like scope 3 reporting and the circular economy.

The other side to this is what the ICT industry can do to help other industries and consumers to reduce their emissions. This is something we cover in detail in our [Net Zero Enablement Use Case Directory](#), but it is essentially about using the industry’s technological capabilities to enable customers, both enterprise and consumer, to reduce their own emissions. There is massive potential in this space, both in terms of the impact ICT can have on global emissions, and also the new business opportunities that might develop.

Jean-François Cognet: Thinking about the second question, there are various benefits other than saving:

- Talent retention and attraction – as people become more sustainability conscious, employees want to work for a company that is making a positive impact
- De-risking (if you implement true circular economy principles, you become less dependant on your supply-chain – see chipset crisis; you can also hire)
- Competitive bidding advantage (notably when responding to public tenders, which tend to put a relatively high weight on environmental or social criteria)
- Access to financing (sustainability-linked bonds for example allow you to tap into cheaper financing)

4. **Can you talk a little bit about energy consumption in the RAN and solutions CSPs are looking to deploy to improve energy efficiency in the RAN?**

Jean-François Cognet: Although not my area of specialization being in the B2B market, and in addition to all the smart energy saving features (deep sleep modes for example), mutualization is clearly an option for cost and energy usage optimization.

STL Partners: This is a big topic, as the RAN accounts for about 73% of telcos energy use. Most operators are going to be delivering more and more over the RAN, as the volume of data grows by over 40% annually. The challenge is how do you grow those traffic volumes without putting more strain on energy. Mostly, we see operators introducing smarter algorithms and smarter capabilities. Lots has been written on this (see: <https://stlpartners.com/articles/sustainability/role-of-the-ran-in-telcos-future-energy-consumption/>) and a lot of it is to do with better implementation of sleep modes at various levels. What we used to do as an industry is leave the RAN on at all times, a bit like leaving the lights on at all times. Sleep modes allow operators to not use maximum power at 3am in the morning when there's no traffic, and that's probably the easiest win. Then there are more granular forms of sleep modes that go right the way down to the application level, even slowing down CPU clocks. Some of the more exciting ones we are expecting to see are through increasingly more intelligent controllers that seek to optimise the most energy hungry aspects of RAN (i.e. supporting customers at the edge of the cell). That's where we are seeing a lot of opportunity, but then there's fun stuff like in-building penetration. In Europe, 80% of mobile communications is still conducted within buildings. A lot of RAN energy is dedicated to getting into buildings, so if you can provide forms of small cell coverage for the building, you can dramatically reduce your energy need. This is a big focus area where there is lots of work being done, and there's also being more being done at the silicon level to improve the compute that's supporting those networks.

5. **Those three areas seem a bit like the tail wagging the dog. Tail = procurement/supply chain; dog = sales/finance. Have organizations that lead with a CSR/procurement-based sustainability efforts been very successful in impacting how sales and finance embed sustainability into value prop and future cash flows calculations?**

STL Partners: I think I understand where the question is coming from – if you're trying to develop products that are going to help customers with their net-zero journey or simply provide better information about your products (better reporting), that's investment. Operators have to invest in making their products more transparent and/or creating new services that are geared towards enabling customers. They're going to have to have a business case, and that business case is going to have to get approved, and that project or initiative will have to get approved. The question seems to be: Are there examples of how you can drive the procurement team or the finance teams to approve those initiatives, and what is the experience of making the case internally? The subtext is that it's very hard, but we are aware of examples. For instance, companies such as Singtel have gone to great lengths to incorporate sustainability either within their existing product evaluations or have created new forms of evaluation to help better incorporate those metrics within their decision-making. I think this is a really important point - so long as operators don't have a decision mechanism, it's hard for them to incorporate green initiatives in what they do and bring greener services to market. You have to change the way you make decisions, or you have to incorporate sustainability into your decision making in a much harder way.

Jean-François Cognet: Sales increasingly see sustainability as differentiation strategy – allowing to compete on factors other than SLA and price. For example, at Orange, we position the supply of reconditioned mobile phones or other devices not only as a (slightly) cheaper alternative, but as a more sustainable option seen from a customer perspective. We can also at times “promote” a technology upgrade when we can establish that the new platform will be much more energy efficient than the old one and offset the “carbon cost” over the platform life for producing the new hardware kits.

Finance departments are also increasingly becoming aware of sustainability – if anything because they often become in charge of producing the regulatory extra-financial information that goes along with the financial information. At Orange, we have now included, for all the business cases related to major infrastructure upgrade, a chapter on “carbon impact assessment”, so that the go/no-go decision also factors in the carbon impact and our ability to eventually reach our net-zero objectives.

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