ERCST

Roundtable on
Climate Change and
Sustainable Transition

Role of Supply Chain Emissions in decarbonization and compliance

Draft Agenda

(speakers are being confirmed)

Meeting is under Chatham House Rules

Date: 16 March 2021
Time: 15:00 -17:00
Location: Zoom Webinar

Climate policy in the EU has so far lacked a holistic view on how supply chain emissions are addressed and accounted for. In the EU, the main legislation which currently governs its climate ambition and corporate compliance are focused on Scope 1 emissions, and to some extent on Scope 2 emissions.

At the same time, companies are facing growing pressure from asset owners, employees, lawmakers and activists to **reduce emissions across their entire value-chain**, since it is deemed critical to investors and other stakeholders who feel that it shows how companies manage not only corporate responsibility but also how they tackle environmental factors and risks which value-chain (or Scope 3) emissions flag (e.g. TCFD, SBTi, EU Sustainable Finance Taxonomy).

The EU Climate Law as well as the intermediate targets such as the 2030 one currently under discussion, make it increasingly clear to corporations that all emissions will need to tend to zero in the longer term, and that all emissions will eventually be regulated. **The opportunity space for voluntary commitments will, in other words, at some point have to disappear in a net zero world.**

In view of the growing importance of addressing supply chain emissions, ERCST has embarked on an exploration of the main issues and options regarding how to identify and measure these emissions, and what role they should play in the transition to a low-carbon future. In this project, it has started by exploring a broad range of issues and is now focusing on the following issues:

- How reductions can be incentivized for Scope 3 emissions;
- If, and how, and under what circumstances can these incentives increase flexibility for those that have existing (Scope 1) compliance obligations; and
- How methodological challenges – such as attribution and accounting of supply chain emissions and their reduction – need to be seen and understood.

This meeting builds on two previously organized workshops with stakeholders on 26 January and 7 December, which brought together key actors from different industry sectors who are concerned with tackling Scope 3 emissions from their business activities.

Building on these discussions and complementary desk research, ERCST will present an outline which will summarize what ERCST would focus its work regarding the main issues and options for addressing supply chain emissions in climate policy, and identifies the questions it feels that need to be resolved.

15:00 **Welcome**

- A. Marcu, Director of ERCST

15:05 **Presentation: outline of ERCST work**

While there is increasing acknowledgment, of the need to reach net-zero emissions by mid-century this process will be very heterogeneous, both between countries as well as between sectors in countries. Inevitably, some countries and sectors will move more slowly than others, due to a variety of reasons.

This presents an opportunity to leverage asymmetrical abilities to reduce emissions throughout supply chains: indirect (Scope 3) emissions. Most if not all regulatory regimes address Scope 1 and 2 of emissions. However, many well-capitalized and technically savvy industrial players have the ability to substantially increase mitigation outcomes beyond their direct emissions and energy imbedded emissions. They can do so by helping – through investment and direct action – emitters in upstream and downstream sectors, possibly in their supply chains, and thus help reduce the direct emissions of others in the supply chain. In a world in which targets are lagging behind the Paris Agreement objectives and where mitigation is lagging behind committed targets, and time is of the essence, such efforts can meaningfully accelerate decarbonization.

This synthesis paper first intends to discuss a number of methodological and conceptual issues related to value-chain emissions reductions including, how to account for them, how to allocate their benefits ('who gets credit'?) and how the additionality of these reductions can be assessed. Next, some potential policy options, beyond soft incentives or voluntary commitments, will be outlined that could provide incentives supply-chain emissions reductions.

- M. Mehling, MIT

Icebreakers

- F. Branger, France
- M. Hadfield, WEF

15:50 **Case studies: the potential of value chain emissions reductions**

Like most abatement opportunities emission reductions along the supply chain tend to be costly, with many not having the regulatory obligations and/or the resources to address them through voluntary commitments. This part of the meeting will be dedicated to discussing case studies which are intended to showcase:

- What supply chain emissions are;
- How much emissions they represent compared to a companies' scope 1 emissions;
- Whether or not they are addressed through regulations on other actors' Scope 1 emissions; and
- What actions companies are taking or could take to address these value-chain emissions.

- L. Jacobs, SABIC
- D. Valdenaire, Concawe

16:20	**Discussion with participants and feedback**
16:50	**Invitation for the European Commission to react** • H. Bergman, DG Clima
17:00	**Concluding remarks**