

Revised Proposal: Guidance for Supplier Clean Energy Procurement *September 2022*

1. Problem Statement

Existing international guidance on credible clean energy claims and accounting does not fully support the objectives of companies with supply chain clean energy procurement goals. First, it does not address the impact of suppliers' clean energy purchases and projects or the realities of how companies engage with their suppliers. Procurement objectives for suppliers could be different from the company's own procurement objectives, and supply chain programs are monitored, reported, verified, and enforced differently. Uncertainty about how to administer supply chain clean energy programs and what metrics to use when tracking progress results in a lack of comparability and increases the burden on suppliers. Second, there is limited guidance for how clean energy procurement in corporate supply chains is accounted for in Scope 3 corporate greenhouse gas (GHG) emissions inventories—for integrating supplier clean energy procurement activities into net zero and emissions footprint reduction goals. Companies currently employ multiple methods, leading to inconsistent emissions reporting. In advance of an updated *Corporate Value Chain (Scope 3) Accounting and Reporting Standard* from the GHG Protocol, there is a need to document current corporate accounting practices and identify challenges that companies are facing.

- *What are standardized criteria, metrics, and implementation options for a supplier clean energy procurement program that take into account current Scope 3 accounting practices and challenges?*

2. Proposal Summary

This project will include two distinct pieces.

1. A research paper on GHG accounting for supplier clean energy procurement in Scope 3, with background, current practices, options, and challenges.

The paper will provide examples of different approaches to GHG accounting and associated barriers/challenges, including:

- Using process life cycle assessment (LCA) and supplier electricity and clean energy procurement data; and
- Using economic input/output modeling.

This paper will not replace or presuppose GHG Protocol standard updates or guidance, but rather lay groundwork for those discussions. The paper will also build on U.S. EPA's May 2022 paper, *Renewable Electricity Procurement on Behalf of Others: A Corporate Reporting Guide*, which is specific to landlord-tenant circumstances in the U.S.

2. Consensus guidance for companies setting and verifying the performance of supplier clean energy procurement requirements and incentives.

The guidance will include:

- Standardized criteria and metrics for different supplier procurement objectives;
- General considerations for tailoring criteria and supplier programs to different markets; and
- Data collection, implementation, and verification options.

The working group will first identify and discuss current Scope 3 accounting practices and challenges, followed by supplier procurement program criteria and implementation options.

3. Summary Table

Scope limitations:	<ul style="list-style-type: none"> ▪ The guidance cannot address all supply chain and supplier objectives, circumstances, or market circumstances. Rather, it will provide relevant examples with general considerations for tailoring procurement criteria to specific markets and circumstances. ▪ The research paper on accounting for supplier procurement in Scope 3 will document current practices and challenges. It will not identify a consensus GHG accounting method.
Potential outcomes:	<ul style="list-style-type: none"> ▪ Improve supplier procurement program implementation and encourage more companies to engage with their suppliers. ▪ Greater consistency in the measurement of value chain procurement that would simplify supplier implementation and reporting across companies. ▪ Information to inform the upcoming update to the GHG Protocol's Scope 3 Standard.
Reasons for urgency:	<ul style="list-style-type: none"> ▪ There is significant high-emitting energy use in corporate supply chains, particularly in markets where regulatory and other pathways to decarbonization are limited, and supplier emissions reductions programs are potentially critical to achieving science-based climate targets. ▪ Supplier clean energy procurement programs expand the reach and impact of corporate clean energy programs dramatically, and the size of the overall voluntary renewable energy market. ▪ Uncertainty on procurement metrics, implementation, and GHG accounting is an immediate barrier to supplier clean energy procurement program implementation.
Anticipated deliverables:	<ul style="list-style-type: none"> ▪ A research paper with current practices, options, and challenges associated with GHG accounting for supplier clean energy procurement in Scope 3. ▪ A guide or handbook that includes best practices for supplier clean energy procurement programs, against which programs could be evaluated or verified, as well as template spreadsheets, scoring templates, and checklists.
Other relevant initiatives:	<ul style="list-style-type: none"> ▪ The GHG Protocol will be updating Scope 2 and Scope 3 guidance, which will affect GHG accounting for supplier-reported clean energy procurement and/or clean energy procurement in value chains.

Available resources:	<ul style="list-style-type: none"> ▪ Individual corporate supply chain strategies that are public ▪ U.S. EPA (May 2022) Renewable Electricity Procurement on Behalf of Others: A Corporate Reporting Guide ▪ RE100 (Nov 2017) Going Beyond: A guide to integrating renewable electricity into your supply chain ▪ Guidance related to LCA
Potential challenges:	<ul style="list-style-type: none"> ▪ The scope is potentially too broad. ▪ Given the variation in corporate objectives, it may be difficult to reach consensus on criteria and metrics. ▪ Navigating how to make general guidance useful to all organizations interested in using it despite differences in supply chain circumstances.
Key working group stakeholders:	<ul style="list-style-type: none"> ▪ Corporate buyers with global supply chains and supply chain targets ▪ Supply chain managers and procurement officers ▪ Suppliers ▪ International clean energy project developers ▪ International clean energy policy experts ▪ Utilities and other clean energy sellers ▪ GHG and clean energy accounting programs and professionals ▪ Industry associations active on supply chain impact ▪ Circular economy experts ▪ LCA experts