Scope 3 Reporting in Commercial Real Estate

JULY 2019

Advancing Net Zero Programme Partners

Lead Partner:

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Foreword

Awareness of the climate crisis has grown exponentially, culminating in the UK Government legislating for net zero emissions by 2050. Growing scrutiny from investors, insurers and lenders, and changing consumer demand are all forcing businesses to address their carbon footprint.

Many commercial real estate (CRE) companies have become well-versed in reporting and reducing the impacts of their own operations, but eliminating all climate impacts requires them to consider the emissions arising up and down their value chains – otherwise known as scope 3 emissions. These can amount to 85% of CRE companies' total carbon footprint, and represent the most significant commercial risks and opportunities posed by climate change to their business models. So, understanding these risks through accurate and consistent measurement, evaluation and reporting should improve both business resilience and reputation.

UKGBC's guidance document aims to improve understanding around scope 3 emissions in the CRE sector and encourage greater collaboration with suppliers and customers. The scale and urgency of the climate crisis requires a step change in mindsets and behaviours. Working closely with stakeholders across the value chain is the only way we can achieve the systems change required for the rapid decarbonisation of our built environment.

Julie Hirigoyen
Chief Executive, UKGBC

What are scope 3 emissions?

Greenhouse gas emissions that occur directly due to a company's activities or indirectly from its use of energy are known as scope 1 and scope 2 emissions, respectively. All other greenhouse gas emissions that occur due to its activities, but which it has no direct ownership or control over, are known as scope 3 emissions.

Some examples of scope 3 emissions for CRE companies include:

- A **building developer** reporting emissions from construction materials used in a new building
- A **building owner** (lessor) reporting emissions from the energy use of a tenant (lessee)
- An **employer** reporting emissions from employees commuting to work

Six commercial benefits to scope 3 reporting

1 Understand potential impact

Understanding the impact of scope 3 emissions – on average 85% of total emissions for a CRE company[1] – can help identify hotspots and prioritise emissions reduction efforts.

2 Manage climate risk

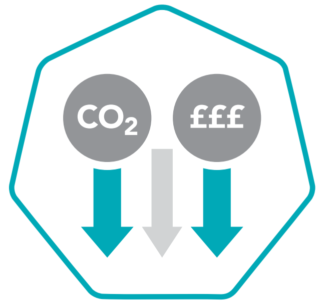
Reporting scope 3 emissions can enhance stakeholder reputation through disclosure of how climate risks are being managed – an area of growing concern as highlighted by the Task Force on Climate-related Financial Disclosures (TCFD).

3 Demonstrate climate action

Reporting scope 3 emissions can demonstrate to stakeholders environmental stewardship in limiting global warming to 1.5°C – in alignment with the Science Based Targets initiative (SBTi).

4 Reduce operational expenses

Reducing scope 3 emissions also reduces costs through improved supply chain efficiency and reduction of material, resource, and energy use.[2]



5 Improve collaboration with value chain

Scope 3 reporting enables a CRE company to partner with suppliers, customers, and other companies in its value chain to achieve emissions reductions.

6 Improve engagement with tenants

Scope 3 reporting supports a building owner or manager to engage with their tenants on energy management and can lead to improved customer relations.

1 CDP, Carbon Credentials (2017), Summary of emissions reported by UK commercial real estate companies to CDP in 2017
2 Greenhouse Gas Protocol (2013), Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Download the full scope 3 reporting guide at: ukgbc.org/scope3guide

Report Supporters:

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