Scope 3 Emissions

Upstream Emissions

Category 1 :

Purchased Goods and Services

Emissions from the production of all purchased or acquired products and services that are not covered in categories 2 to 8.

This category can encompass a wide range of purchases, so organizations can group them further by use:

- Production-related purchases: directly used in the production of a product or service. For ex. an automobile manufacturer would include the emissions from the production of steel used to make cars.

- Non-production-related purchases: not directly used in the production of a product or service. For ex., an insurance company would include the emissions from the production of office furniture and computers.

Category 2 :

Capital Goods

Emissions arising from the production of capital goods that have been purchased or acquired.

Capital goods are defined as final products with an extended lifespan that serve one or more of the following purposes:

- providing a service
- facilitating the delivery, sale, or storage of merchandise
- supporting the production of goods

Organizations are allowed to determine the categorization of their assets. However, it emphasizes the importance to avoid double-counting.

Therefore, assets should be appropriately classified either under category 1 or category 2.

Category 3 :

Fuel and Energy Related

Emissions resulting from fuel- and energy-related activities that are not included in scopes 1 and 2. In this context, "energy" specifically refers to electricity, cooling, heating, and steam.

The following activities are covered within this category:

- transportation, extraction, and creation of fuels consumed by the reporting organization, as well as fuels utilized in the generation of energy consumed by the reporting organization
- energy generation that is consumed within a transmission and distribution system, resulting in losses during the process
- energy generation, including both upstream emissions and combustion, that is purchased by the reporting organization and subsequently sold to end users

Category 4 :

Upstream Transportation and Distribution

Emissions generated from third-party transportation and distribution services paid for by the reporting company.

This can include the emissions generated to transport supplies between warehouses and from the storage of goods in warehouses or distribution centers.

Examples of emissions that can be included in this category:

- emissions from trucks, trains, and airplanes that are used to transport goods
- emissions from forklifts and other equipment that is used to move goods within warehouses
- emissions from lighting, heating, and cooling in warehouses and distribution centers

Category 5 :

Waste Generated in Operations

Emissions created by the third-party treatment and disposal of waste from a company's controlled or owned operations. This covers all future emissions from waste and includes both:

- wastewater
- solid waste

Includes the transportation of waste from the reporting company to the waste vendor. These emissions include the scope 1 and scope 2 emissions of an organization's third-party waste management company.

Emissions released from the following that can be included in this category:

- incineration & landfilling of waste
- treatment of wastewater

Category 6 :

Business Travel

Emissions generated from employee transportation for business-related activities using third-party-owned or operated vehicles that are not used for day-to-day commuting.

Additionally, organizations have the flexibility to include emissions from hotel stays within this category.

This category excludes the following emissions:

- travel in vehicles owned or controlled by the organization, as this is already accounted for in scope 1
- employee commuting, as it falls under scope 3, category 7
- travel in leased vehicles, as it falls under scope 3, category 8

Category 7 :

Employee Commuting

Emissions from employee commutes between their workplace and home via various transport means:

- public (bus/local train)
- private (car/bike/bicycle)

Organizations can also include emissions generated from remote work if it is anticipated to be significant or they have had structural changes transitioning from in-office working to remote working.

This includes estimating the emissions associated with the energy used to power employees' homes and devices while they are working remotely.

Category 8 :

Upstream Leased Assets

Emissions from the operation of assets that a reporting organization leases from other organizations in the reporting year and not yet included in the reporting organization's scope 1 or scope 2 inventories.

Organizations will include the lessor's scope 1 and 2 emissions in their emissions for the leased asset.

For ex., if a company leases a car from a leasing company, the company would include the leasing company's scope 1 and 2 emissions from operating the car (fuel for powering as well as production and transportation).

Downstream Emissions

Category 9 :

Downstream Transportation and Distribution

Emissions generated from transportation and distribution services paid for by the company's customers - whether that's a downstream intermediate customer (e.g. final manufacturer or wholesaler) or the final end customer.

Organizations that sell an intermediate product should report on the transportation and distribution from the point of sale to either the end-user or the business customer when that transportation is paid for by the downstream entity.

Organizations can also optionally include emissions from storage and retail customer travel to and from stores.

Category 10 :

Processing of Sold Products

Emissions generated when third parties process intermediate products that have been sold by the reporting organization.

Intermediate products refer to goods that are integrated into another product before use or used in the production of another product. Examples include paint used in the manufacturing of furniture or wood used to craft a dining table.

Organizations are required to include scope 1 and scope 2 emissions from downstream entities within the value chain that are involved in the processing of these emissions.

Category 11 :

Use of Sold Products

Emissions resulting from the sale of services and goods by the reporting organization. It encompasses the anticipated lifetime emissions associated with all relevant products across the organization's product portfolio for the reporting year.

Sold products are further classified into two types:

- Direct use-phase emissions (mandatory reporting): products that directly consume fuel or energy during their use, as well as products that contain or produce greenhouse gases that are emitted during their use.

- Indirect use-phase emissions (report if deemed significant): products that indirectly consume energy or fuel during their use.

Category 12 :

End-of-Life Treatment of Sold Products

Emissions stemming from the treatment and disposal of sold products at the end of their life cycle. It encompasses the cumulative expected emissions at the end of life for all products sold during the reporting year.

Organizations should only account for the emissions attributed to the intermediate product itself at the end of its life, rather than the emissions associated with the final product it contributed to.

Calculating these emissions requires making assumptions about the end-of-life treatment chosen by consumers, as it is challenging to predict how individuals will dispose of products.

Category 13 :

Downstream Leased Assets

Emissions generated from the operation of owned or leased assets that are leased or subleased to other entities that are not included in scopes 1 or 2.

It is not advisable to differentiate assets that are leased (category 13) and sold (category 11) to customers. In this case, it is recommended to report these emissions under category 11 instead of category 13 to avoid double-counting.

For example, an organization that leases office space to tenants would report emissions from the operation of the office space under category 11. This would include emissions from heating, cooling, and lighting the office space.

Category 14 : Franchises

Emissions from franchise operations. It is applicable to franchisors and includes scope 1 and 2 emissions from franchisees.

Franchisors can optionally choose to include their franchisees' scope 3 emissions.

Franchisors should consider the following factors when deciding whether to include scope 3 emissions from their franchisees:

- size and type of the franchise business
- location of the franchise business
- purchasing model used by the franchise business
- anticipated significance of the scope 3 emissions

Category 15 : Investments

Also known as financed emissions, are associated with investments. This category is primarily for financial institutions, but it is also relevant to other organizations with investments.

This category can be broken down into four types:

- Project finance: refers to investments in projects that are financed by a combination of debt and equity.
- Debt investments: refer to investments in debt instruments, such as bonds and loans.
- Managed investments and client services: refer to investments in funds and other managed investment products.
- Equity investments: refer to investments in equity instruments, such as stocks and shares.

Emissions should be allocated based on the organization's share of investment in the investee.