



Becoming a More Sustainable Value Chain Partner

Understanding Renewable Energy and Emissions in Today's Supply Chain



An aerial photograph of a multi-lane highway winding through a green, hilly landscape. Several large white wind turbines are visible in the background, standing tall against a clear blue sky. The highway has multiple lanes in both directions, with a bridge crossing a small stream. Various vehicles, including trucks and cars, are visible on the road. The foreground is dominated by a large purple diagonal shape that contains white text.

As an increasing number of the world's largest corporations look to cut emissions in their supply chain, suppliers must pivot to a more sustainable way of doing business or risk being left behind. As one part of a larger shift to sustainable practices, suppliers should look to tools like science-based emissions targets and renewable energy purchases to help cut emissions and ensure their place in the transforming supply chain.

The World's Largest Corporations are Turning to Their Supply Chain to Reduce Emissions

For companies that reported data to CDP, the emissions from their supply chain is a staggering **5.5 times higher** on average than their own emissions.

Over the last decade, many of the world's leading brands have announced major plans to cut their greenhouse gas (GHG) emissions as one part of their sustainability strategy. These corporations have set ambitious internal goals and made aggressive moves to start on the path toward significantly reduced—and often net-zero—emissions over the coming years and decades.

But as the urgency of climate action continues to grow, many corporations are looking to address their impact both upstream and downstream of their own operations. To do so, businesses need to look not only at their own emissions, but those from their suppliers and value chain partners as well—from the manufacturing of their raw materials all the way to the delivering and disposing of final goods—to assess their total environmental impact.

For companies that reported data to CDP, the emissions from their supply chain is a staggering 5.5 times higher¹ on average than their own emissions. As a result, more and more of the world's largest corporations realize that their environmental impact extends beyond their company and are focusing on tracking and reducing emissions throughout their value chain. Many corporations are directly engaging with suppliers on opportunities to switch to renewable energy sources and reduce GHG emissions. Businesses that make up these supply chains should be prepared to pivot to more sustainable business practices—or risk losing their place.

This is a historic moment for supply chains, which have felt no shortage of disruption in 2020—from the COVID-19 global pandemic to the increased hurricane and wildfire activity in North America. Yet as organizations look for ways to rebuild and future-proof their supply chains, suppliers must be ready to meet a higher standard of transparency and climate action to retain their business. **Companies who commit to best practices in energy, emissions, and resource usage will see new opportunity as corporations increasingly look to cut emissions from their entire value chain.**

As an energy partner to many of the world's leading suppliers and manufacturers, Enel X has prepared this guide to help meet the demands of the changing supply chain.



¹ "CDP Supply Chain: Changing the Chain," CDP, 2019

Your Emissions Are Your Customer's Emissions, Too

Companies Are Broadening Their Environmental Focus

By and large, corporate plans to make drastic cuts over the coming decades have been focused primarily on Scope 1 and 2 emissions—from sources owned or controlled by the company (for instance, gas furnaces or fleet vehicles) and from generation of purchased electricity (for instance, electricity acquired from the grid).

But in recent years, many corporations have broadened their focus and are looking to address Scope 3 emissions, those stemming from upstream and downstream value chain partners, to gain a more holistic view of their emissions. These emissions are more far-reaching—they come as a consequence of doing business, but do not

occur from sources owned or controlled by the company. They include, for instance, all upstream emissions that went into the production of goods and services that a company purchased, as well as downstream emissions from the use of goods and services that a company sold.

For upstream suppliers in a supply chain—like manufacturers of consumer packaging, raw materials, or components—**your organization's Scope 1 and 2 emissions are the Scope 3 emissions of your customer.** As a result, for major corporations looking to decrease their Scope 3 emissions, supply chain emissions are a top priority—and if you're a supplier, these are your emissions.

Emissions Scopes

Scope 1

Direct emissions from owned or controlled sources—such as furnaces, boilers, or fleet vehicles

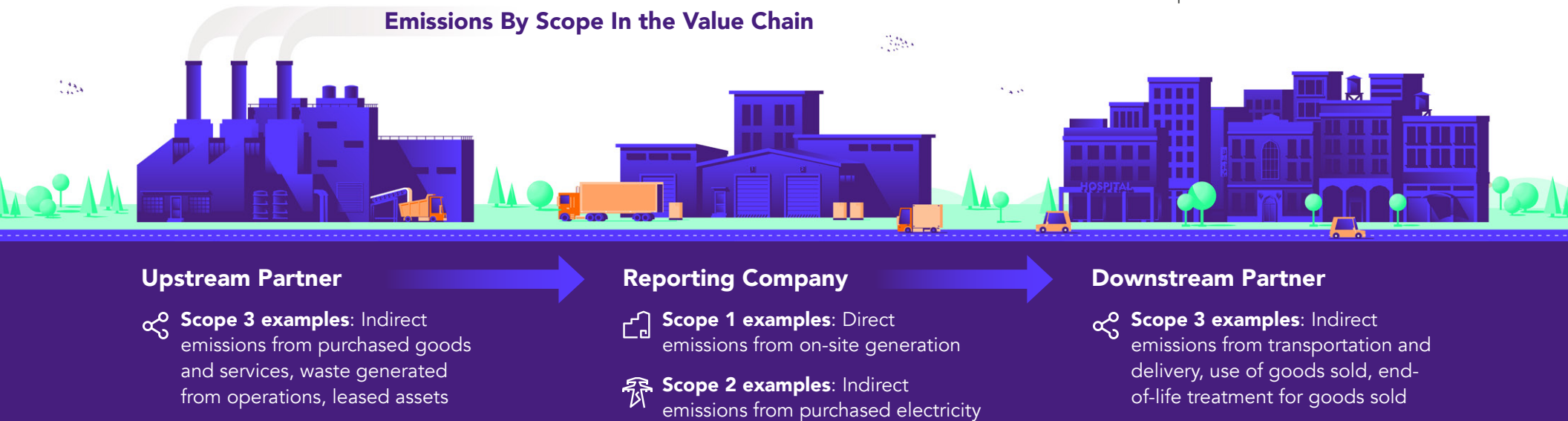
Scope 2

Indirect emissions from the generation of purchased electricity from the grid

Scope 3

All other indirect emissions that occur in the value chain—including upstream and downstream activities

Emissions By Scope In the Value Chain



The Growing Focus on Suppliers

CDP conducts a survey among supply chain participants for major corporations. In 2019, 6,892 suppliers responded to requests for climate disclosure, up by 24% from 2018.² These disclosures create transparency with investors and stakeholders into how suppliers manage their environmental impacts.

Disclosure and transparency help organizations quantify the associated climate risk of their operations. Members of CDP's supply chain program identified 7,976 million metric tons of carbon dioxide equivalent (MtCO₂e)—and US\$906 billion of potential financial risk—linked to climate change, as identified in CDP's Supply Chain Report.³

Putting On the Pressure

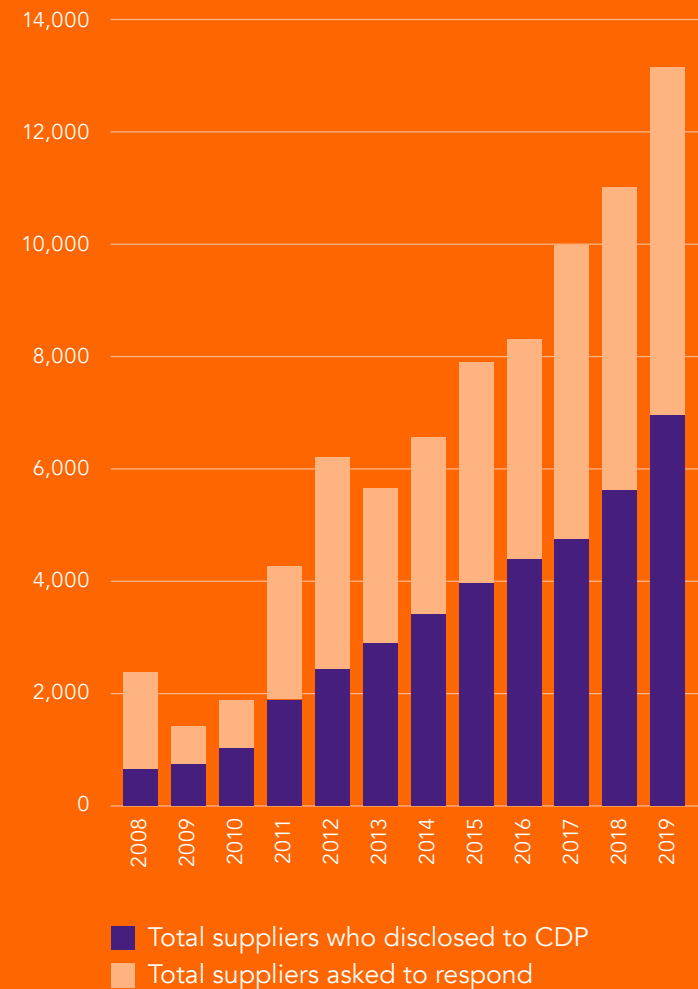
These numbers alone, though, may not fully capture the paradigm shift that is underway. Many household brands are asking their suppliers to meet a new ESG standard to continue doing business, often even including RFP criteria. Apple, for example, implemented their Supplier Clean Energy program in 2015, focused on working with suppliers to switch to renewable energy sources with a 100% renewable goal by 2030.⁴ The program has resulted in some of the largest renewable energy purchases to date, with nearly 8GW of clean energy commitments.

² "CDP Supply Chain: Changing the Chain," CDP, 2019

³ Ibid.

⁴ "Supplier Clean Energy: April 2019 Program Update," Apple, April 2019

Growth in CDP Supply Chain Disclosures
2008–2019



CUSTOMER SPOTLIGHT:



General Motors on GHG Reduction and Supply Chain Emissions

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"General Motors is acutely aware of the responsibility and opportunity to use our scale and resources to drive a better, more inclusive future for all. Presently, the majority of our GHG footprint comes from use of products sold—but with vehicle electrification, we expect our supply chain to become the number one source of GHG emissions over time. We've worked with our suppliers to increase visibility and supplier engagement in carbon footprint reduction through CDP supply chain disclosures, and have a goal of 100% supplier participation by 2023.

We work proactively with our suppliers to help make their operations more sustainable—including facility walk-throughs and energy treasure hunts—and expect suppliers to have operational GHG reduction goals. GM is committed to sourcing 100% renewable energy for our operations and views climate change as a driving force behind our vision of a future with zero crashes, zero emissions and zero congestion."



How to Become a Sustainable Supply Chain Partner

How can your organization meet the growing sustainability expectations of supply chain customers? Taking an integrated approach to GHG and energy management will allow your company to accurately measure and manage its footprint. Here are some concrete steps organizations can take to become more sustainable business partners:

Gather Your Environmental Data and Set Ambitious Resource Targets

Tracking resource usage and efficiency is a complicated process—data must be gathered from an array of sources and sites before being converted into associated emission and KPIs. Organizations need this information for a wide variety of purposes, including RFPs, RFIs, disclosures, and annual corporate sustainability reports. But it's difficult to conduct this process without the proper technology in place. By implementing a robust invoice collection and processing platform, organizations can collect

cost and usage data, accurately and efficiently prepare environmental reports, and set environmental targets. Aggregating enterprise-wide resource data has benefits beyond emissions tracking, allowing organizations to tackle other low-hanging fruit in making sustainability progress, including energy efficiency projects, demand reduction strategies, and other efficiency upgrades.

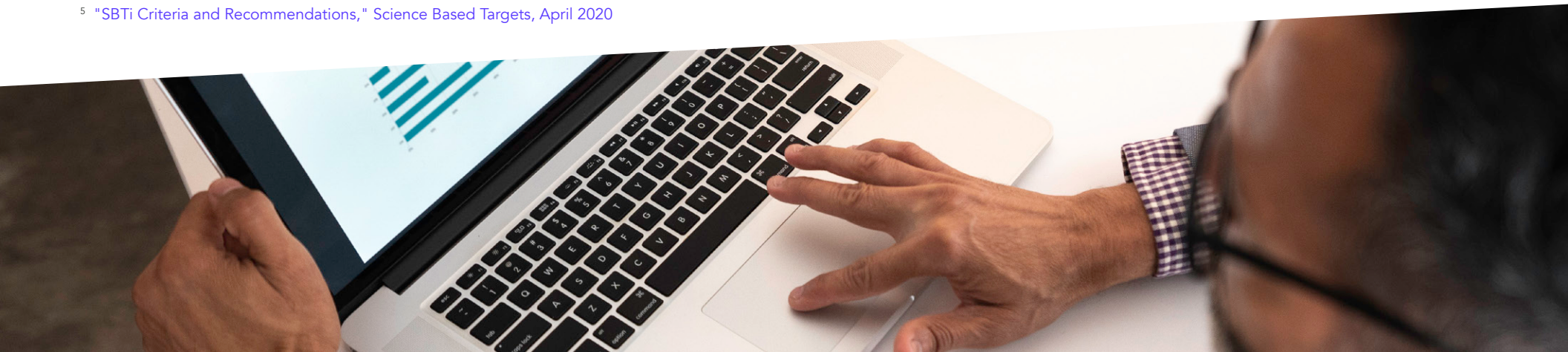
But tracking is only half of the equation—it's crucial to use that

data to set and achieve proper goals. There are several organizations that can help you contextualize your data and establish clear goals. For instance, The World Resources Institute's Science Based Targets initiative (SBTi) helps organizations set contextual goals. Science-based targets require companies to commit to emissions levels that are "consistent with the level of decarbonization required to keep global temperature increase to well below 2°C compared to

preindustrial temperatures."⁵ Using a science-based target framework helps suppliers set GHG reduction targets in line with climate science.

Suppliers should be aware that many of their customers may have targets that are even more aggressive than typical science-based targets. Engage directly with your supply chain to understand expectations and work together to set achievable and ambitious targets together.

⁵ "SBTi Criteria and Recommendations," Science Based Targets, April 2020



CUSTOMER SPOTLIGHT:



Sonoco Products Company Discusses Sustainability

"Sonoco Products Company has always maintained a strong commitment to sustainability through our products and our operations. We have an internally developed system to track emissions that is tailored to our unique operations and businesses, while allowing flexibility to answer corporate surveys and customer requests. We are often asked to disclose company-wide emissions, specific customer-allocated data, or a Scope 1 & 2 carbon footprint of a product. While global company emissions are publicly available via our website and Corporate Responsibility Report, customer- or product-specific emissions are not. The availability of this data often depends on the nature of the product or service we provide, and if we serve a customer directly or indirectly. Because each business measures and indexes their emissions differently, it often presents a challenge to generalize our footprint.

Most importantly, our customers want to know that sustainability is a key focus of Sonoco. We are often encouraged by our customers to set ambitious sustainability targets, to incorporate renewable energy into our portfolio, and to collaborate on specific projects across the value chain that can mutually decrease our carbon footprint. Sonoco is continuously working on reducing our impact on the environment through our products and operations, and we welcome the opportunity for engagement with our customers and other stakeholders to become an even more sustainable packaging company."

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Switch to Renewable Energy Sources

CDP's Supply Chain Report estimates that its 125 members could realize one gigaton of emissions reductions⁶ through just a 20% shift to renewable sources. Sourcing renewables helps organizations reduce the Scope 2 emissions associated with their electricity consumption, and can be done through several products:

Large-Scale Power Purchase Agreements (PPAs) are one of the primary contracting mechanisms for renewable offtake. These agreements can be dubbed "physical" or "virtual" depending on how they're structured, but both allow for transfer of Renewable Energy Certificates (RECs) that ultimately reduce the off-taker's reportable emissions. PPAs typically enable new generation to be

built, and, with a single contract, allow organizations to reduce the emissions associated with their entire annual electricity load across all sites, and even across all regions if a virtual PPA structure is used. In the past several years, new options in contract duration and size, as well as increasingly favorable economics, have made these agreements accessible to a wider array of organizations.

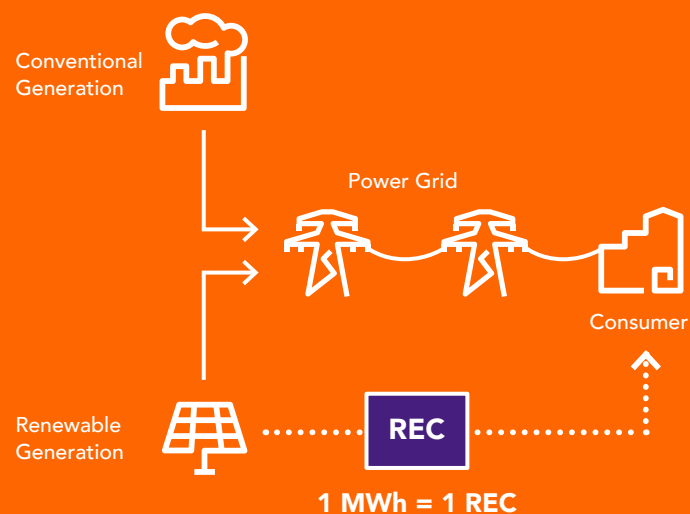
CDP estimates its 125 supply chain members could realize **one gigaton of emissions reduction** through just a 20% shift to renewable sources.

⁶ "CDP Supply Chain: Changing the Chain," CDP, 2019

⁷ "Renewable Energy Certificates (RECs)," United States Environmental Protection

Renewable Energy Certificates

In the US, Renewable Energy Certificates—or RECs—are market-based instruments that represent rights to the environmental attributes associated with electricity generation, meaning they can be used to prove consumed energy was generated from zero-emission sources.⁷ Therefore, the owner of the REC can reduce their reportable emissions. RECs can be bundled with energy in a PPA or green tariff, or contracted for through a virtual PPA or REC purchase.





Utility Green Tariffs are programs in regulated electricity markets that allow commercial customers to enroll in a renewable energy tariff and receive renewable power and the associated RECs directly from their utility. Utility green tariffs represent a growing segment of renewable energy access, and are often attractive due to shorter contract lengths and the appeal of a specific, local project, but they may carry a price premium. Though more utilities are implementing utility green tariffs as a result of customer

demand, these programs might not be available in your area yet. Work with a trusted energy advisor to understand your utility options.

In **REC purchases**, RECs are bought in the open market. These can be used under many (though not all) reporting schemes to reduce Scope 2 emissions. REC purchases are generally more straightforward than PPAs, VPPAs, or utility green tariffs, and many business opt for REC purchases because of their simplicity.

There's No Better Time Than Now

There are compelling reasons why it's advantageous to start planning early, even if customers are not placing firm requirements. First, it can take significant time to consolidate emissions data, establish emission targets, and implement a plan to reach those targets. If the customer wants to see change quickly then there could be risk of a new entrant who already meets the requirements. Second, many companies are able to use their energy and emissions strategy as a competitive differentiator. Companies with lower emissions may be able to win new business or earn a premium price for a product or service.

Many companies use their emissions strategy as a competitive differentiator.

Conclusion

While tackling the challenges of renewable energy and emissions can be daunting, it's important to remember that there are resources out there to help. Work directly with your customers—many have supplier improvement programs and tools to help align your goals and strategy with their objectives.

Enel X offers an array of climate oriented solutions, including emissions reporting, strategy and roadmap workshops, renewable energy procurement, and more. But beyond selling sustainability solutions, we adhere to these values internally, as well. Enel X is

part of the Enel Group, a global leader in sustainable supply chains and sustainable procurement. Enel works closely with its supply chain partners to ensure its own supply chain meets its high standards for sustainability. In 2020, Enel launched the Supplier Development Program for companies that work with the Enel Group, to offer access to financial services, managerial training, and initiatives for innovation, the circular economy, and internationalization.

[Get in touch with our team](#) to learn more about how you can respond to the pressures from your customers.

