

# THE BOTTOM LINE



## How to calculate your Carbon Footprint the right way

There are many providers of carbon footprint reports (CFRs) in the market, often with a convincing sales pitch and testimonials from satisfied customers. To the uninitiated, one carbon footprint report looks much like any other and in the absence of further information, it is tempting just to buy the cheapest. What follows is an explanation of the ways in which they differ, and why all CFRs are not created equally.

For certain categories of UK organisations, carbon reporting, net zero migration planning and eventual net zero status are now mandated by law. Carbon accounting practices have lagged somewhat behind legislation hence it is only comparatively recently that a loose selection of user-defined best practices have hardened into internationally-recognised methodologies and standards. Put simply, many CFR providers have failed to keep up.



## WEAKNESSES OF 'BLACK BOX' SOLUTIONS

Due to a dearth of robust official guidance, most legacy CFR providers developed their own proprietary 'black box' methodologies using whatever conversion factors, calculation methodologies and data protocols were available (or known to them) at the time. Some also developed their own proprietary carbon-related badges and/or certifications. However, the world has moved on at pace, and what was acceptable even 6 months ago is probably no longer compliant with modern standards and procedures.

The problem is – whereas it might temporarily feel good to receive a CFR (or carbon-neutral logo) from an external body – unless the processes and documentation which underpin it are compliant with modern standards and unless that CFR is verified by a UKAS-accredited external body – it is unlikely to be recognised as valid by a wider (and better informed) commercial/regulatory audience.

## FIVE CONSIDERATIONS WITH PROPRIETARY CFRS ARE:

1. Being opaque in nature, it is difficult or impossible to determine if the calculation methodologies, emission/conversion factors and data collection methods used in 'black box' CFRs are compliant with the standards relevant to that particular circumstance, inter alia GHG protocols, PAS2060 or ISO 14064.
2. In the absence of documented, transparent compliance with the above, that CFR can never receive verification by a UKAS-certified body. For that reason, a question mark will always hang over its veracity. As knowledge about carbon-related legislation becomes more widespread, B2C and B2B customers (not to mention shareholders and investors) will increasingly scrutinise 'green' credentials. Moreover – 'greenwashing' is not only a PR disaster waiting to happen – as of September 2021 it became a criminal offence.
3. Where the subject of the proprietary CFR wishes to gain official verification in the future, it would not be possible to recoup the expense of the uncompliant CFR by building upon it – the work would need to be conducted afresh.
4. A compliant CFR is based upon verifiable, primary ('direct from source') data. This is time-consuming but necessary. Some proprietary CFR providers save time (and can therefore offer a far cheaper product) by omitting much of this process, substituting actual data with sectoral, regional, national or international averages. Because average figures are liable to err on the side of overestimation rather than an underestimation, this can have three unwelcome implications:
  - A. The CFR obtained therefrom will over-estimate the subject's emissions;
  - B. As a consequence, the subject will incur unnecessary expenses by purchasing more carbon offsets than is actually required. This overspend is likely to reoccur, year after year.
  - C. The CFR obtained therefrom will fail any attempt at external verification.
5. Compliant CFRs take account of three greenhouse gas (GHG) factors:
  - A. Sources (positive GHG emissions);
  - B. Sinks (negative GHG emissions);
  - C. Reservoirs (negative GHG emissions).

Many proprietary CFRs only take account of GHG sources. Whilst not all factors apply in every circumstance, omitting their inclusion in cases where they do apply will overstate GHG emissions and probably trigger recurring overspending on unnecessary carbon offsets.

## ANCILLARY PROJECTS

This is where Auditel's carbon compliance service really differentiates itself. For many organisations, carbon measurement and reporting are unwelcome additional expenses. A CFR, ongoing management and high-quality offsets will be required each year. Further down the line, the attainment of net zero precludes the use of offsets at all. If an organisation is to move from being a carbon emitter to a net zero emitter, how can it do this without operational change?

Ancillary projects will be either desirable or essential to:

- A. Reduce GHG emissions;
- B. Reduce yearly offset expenditure;
- C. Mitigate/recoup the cost of carbon compliance.

Once cash is spent on offsets, it's gone forever. Initially, most organisations prefer to spend money on projects which will



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persistently reduce their carbon output (e.g. led lighting, heat pumps etc) rather than offsets. If executed properly, these can also recoup some of the cost of the emissions programme. Organisations will need guidance in evaluating the many project variables (supplier selection, capital cost, ease of implementation, carbon impact, etc), especially when overlaid with their own unique circumstances and priorities. They will also need help with project implementation.

Auditel is a long-established procurement and cost-management consultancy with huge experience in delivering these types of projects. If we are already managing an organisation's carbon reporting, the information and relationships necessary to deliver ancillary projects will already be in place. It makes obvious sense to use the same provider for both. We have the competencies in-house to deliver the whole package – virtually every other CFR provider does not.

## MATERIALITY, SCOPE AND OTHER CONSIDERATIONS

Decisions made at the start of any carbon reporting process will determine what data is collected, by whom, and whether the resultant CFR will be sufficiently broad in scope and detail to satisfy the criteria for external verification.

Online 'Check your carbon footprint' calculators, homebrew spreadsheets and proprietary solutions are seldom based on a deep knowledge of what considerations are important – or where certain efforts (such as collecting additional data) are wasted effort.

## THE MYTH OF ISO 14001 EXEMPTION

There is much misapprehension that ISO 14001 is a valid substitute for a verified PAS2060-compliant CFR. It is not. The confusion stems from a misunderstanding about the difference between verification and certification.

Certification is the activity of evidencing that a management system has been correctly constructed and conforms to a particular standard and is therefore capable of functioning in accordance with that standard. Verification is the process of checking that the output of a system (usually a dataset) is accurate.

A simple analogy – MOT testing stations are certified by the DVLA as having the correct systems in place to test vehicles to a defined standard. The testing station then tests each vehicle using the systems and processes defined by the DVLA – it measures various aspects of a vehicle's performance to verify whether or not that vehicle is roadworthy.

To extend the analogy – the certification approach would allow the car to be submitted for the MOT and then have a report issued when complete. The MOT and the content of the report, i.e. that which has the intrinsic value, is a verification. The user of the report is only really interested in the validity of the report and that validity can only be assessed from the test results and the test itself. Certification and verification are not synonyms.

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## TO CONCLUDE

For many organisations, carbon reporting and emission reduction is now a legal obligation or a commercial necessity. At the very least, customers, shareholders and investors have a growing awareness of environmental/CSR considerations. Social media has hugely increased the speed at which any accusation of greenwashing will spread, magnifying its reputational damage.

It is no longer sufficient (or compliant) to base environmental reporting on unverified, proprietary documentation. The world has moved on, and Auditel has moved with it. As we head towards net zero and 2050, the pace of change will only accelerate. To find out more about our carbon solutions, visit our carbon consultancy page.

