EMISSIONS

What's the difference? Scope 1, 2 and 3 corporate emissions

Understanding corporate emissions is the first step in taking meaningful climate action.

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Do you know the difference between scope 1, 2 and 3 corporate emissions?

When it comes to climate change and business, there's a lot of terminology to get your head around. In many ways, it's like learning a new language. But if you can start to understand the climate change language, you'll be in a much better position to make an impact in your organisation.

Getting to know your company emissions is one of the first steps in taking corporate climate action. From there you'll be able to understand where the opportunities for reducing emissions are, and how to make smart business decisions and investments for the future.

To begin with, greenhouse gas emissions are considered either "direct" or "indirect" emissions. And they're categorised into three groups or "scopes" by international and national carbon accounting standards.

Let's take a look at the three categories.

Scope 1 emissions (direct emissions)

Scope 1 emissions are "direct emissions" from sources that are owned or controlled by the company. This can include emissions from:

- transport from the combustion of fuel in fleet vehicles (owned by the company)
- the combustion of fuels in stationary sources like boilers, furnaces and incinerators
- manufacturing or processing of materials and chemicals like cement manufacturing, aluminium smelting and petrochemical processing
- fugitive emissions, including methane emissions from coal mines, and
- production of electricity from burning coal.

Depending on the type of industry you are in, your scope 1 emissions might only include fleet vehicles.

Scope 2 emissions (indirect emissions)

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Scope 2 emissions are the emissions released into the atmosphere from the use of purchased energy. These are called "indirect emissions" because the actual emissions are generated at another facility such as a power station.

For many companies, energy is one of the largest sources of emissions. In fact, business consumes 70% of Australia's electricity, and electricity is the largest source of emissions in Australia.

Scope 3 emissions (indirect emissions)

Scope 3 emissions include all other indirect emissions that occur across the value chain and are outside of the organisation's direct control. Some examples are:

- employee business travel in transport not owned by the company (like flying on a commercial airline)
- employees commuting to and from work
- the extraction and production of purchased materials
- transportation of purchased fuels
- transportation and use of sold products, and
- transport and disposal of waste.

Because of their nature, scope 3 emissions can be harder to track, but there are experts and consultants that can help your company measure and report on all three categories of emissions.

How are these categories used in reporting?

Large companies that meet reporting thresholds are required to report on their emissions as part of Australia's National Greenhouse and Energy Reporting (NGER) scheme. Reporting of scope 1 and 2 emissions are compulsory, while scope 3 is optional.

For companies that are required to report under this scheme, emissions reports must be submitted by 31 October each year. This reporting includes carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulphur hexafluoride (SF_6) and certain types of hydrofluorocarbons and perfluorocarbons.

The data is used to put together Australia's National Greenhouse Accounts. This is then used to track national emissions and meet international reporting requirements under the UN Framework Convention on Climate Change, the Kyoto Protocol and the Paris Agreement.

But even if your company isn't required to report as part of the NGER scheme, a growing number of organisations are including emissions targets and data in Sustainability Reports, Annual Reports and Climate Change Reports. It's good business practice and it's increasingly the type of thing shareholders and the community expect to see.

What does it mean for you?

If you want to help your company take climate action, the first step for any organisation is to understand the different types of emissions and work out how to measure them. From there, your organisation can look at where the biggest wins can be made. It might seem overwhelming at first, but with the help of WorkForClimate you can follow a step-by-step process to get started.

For most companies, the purchase of energy (scope 2 emissions) can be one of the best opportunities to reduce emissions. It's the low-hanging fruit. Switching your company to renewable energy can have an impact almost overnight. More than 80 major corporations and hundreds of smaller organisations have already committed to switching to 100% renewable energy in Australia.

And there is huge potential to have an impact on scope 3 emissions. Your company can commit to reducing its carbon footprint across the value chain. Part of this means choosing suppliers that are performing better when it comes to reducing emissions. You can use your influence to encourage other businesses to take corporate climate action and position your brand as a responsible and innovative market leader.

Ready to get started?

Using our step-by-step Playbooks, Cohort programs, and supported by a community of sustainability experts and climate 'intrapreneurs', you'll learn how to help your corporation switch to a fossil fuel-free future, faster.

Sign up to WorkForClimate to get started and amplify your impact.

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