Scope 3 emissions in the UK reporting landscape consultation

Summary

- Operators have raised concerns about data accuracy and the requirement to make assumptions about data in order to file reports.
- The use of thresholds should be considered, such as 80% of reporting to be from primary data as a starting point for the process to introduce mandatory reporting.
- A phased approach to be used when introducing compulsory Scope 3 reporting.
- Logistics UK and its members are concerned about the changes to the Greenhouse Gas Protocol in respect of RTFO biomethane used in transport, which would not allow conscious procurement choices for green gas by transport operators.

About Logistics UK

Logistics UK is one of the country's largest business groups, representing the entire logistics industry and supporting, shaping and standing up for safe and efficient logistics. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the buyers of freight services, such as retailers and manufacturers. As an organisation, we deliver services, representation and thought leadership, helping members and policy makers to seize new opportunities for the sector and the economy as a whole, right across the country.

What we represent

Logistics is a sector delivering an increasingly safe, sustainable and efficient system of national infrastructure – creating opportunities across the UK and linking the UK to the global trade network. Spanning land, water and air, it delivers for everyone, everywhere, every day.

- Logistics delivers big public value on small margins, ensuring the availability of the products households, businesses and public services rely on. It moves goods more than 200 billion tonne-km within the UK per year and enables the trade of more than £1 trillion of goods, while working hard to avoid adding pressure to the cost of living. This is a challenge with fuel and energy costs at a historic high and restrictions on logistics growing.

- The sector delivers smart, green, resilient growth and jobs. It contributes £163 billion to the economy each year (12% of UK non-financial GVA), employs 2.7 million people (8.2% of the UK workforce), pays £5 billion in revenue to Treasury through Vehicle Excise Duty (VED) and Fuel Duty, in addition to other taxes. It is becoming ever more innovative and integrated – within businesses and between logistics sites and transport modes. Its key hubs provide a catalyst for further growth and investment, helping places to thrive.

Logistics delivers for the future, as an essential system for growth. It underpins the whole economy, with an economic footprint three times larger than its direct GVA contribution, with the public sector and other private sector businesses spending 15% of their total input-related spending on logistics services per year.

Logistics UK response

The logistics industry fully recognises the role it must play in lowering greenhouse gas emissions from supply chain and freight transport operations both today and in the coming decades. Logistics UK members are already making changes, such as investing in lower carbon fuels and technologies, or through improving efficiency of fleet operations to lower fuel consumption. To fully achieve net zero, we need the right technologies and vehicles that are commercially viable, with the right supporting infrastructure and incentives.

Logistics UK welcomes the opportunity to comment on the relevant sections of the Scope 3 emissions in the UK reporting landscape consultation.

Our members understand the need to measure CO_2 emissions to provide trusted records that their decarbonisation plans are effective. Many of them operate in international markets and are responding to similar reporting requirements in other countries.

Many members are already reporting Scope 3 emissions on a voluntary basis to gain a clear understanding of what processes and systems they need to put in place. However, concerns have been raised about data accuracy and the requirement to make assumptions about data to file the reports. For example, having to use estimations for employee commuting or customer travel.

Additionally, those who are undertaking voluntary Scope 3 emissions report difficulties in asking suppliers for CO_2 emissions information. Many smaller suppliers may lack capacity, knowledge or resources to be able to supply this information.

Amongst our members, there was widespread support for the use of thresholds, such as 80% of reporting to be from primary data, as a starting point for the process to introduce mandatory reporting. Those operators with experience of reporting have called for a phased approach to introducing compulsory Scope 3 emissions reporting with careful consideration of the timing of each phase.

For operators of heavy road vehicles there are currently very limited zero tailpipe emission vehicles available and charging infrastructure in place for battery electric HGVs, and it is not clear what that infrastructure will look like or where it will be located, so some operators seeking to decarbonise operations quickly are turning to biomethane which is a low carbon fuel (LCF) to support this ambition.

An area of particular concern to members are the changes to the Greenhouse Gas Protocol in respect of Biomethane used in vehicles and vessels for the purposes of Scope 3 emissions reporting within IFRS S2. The proposal for location-based reporting is based on a misunderstanding that if biomethane is fed into the gas grid, the carbon benefit is published by Defra, and it would be double counting for transport users to report the carbon savings too. However, Defra's figures only take account of biomethane used for heating and not for transport use. Logistics UK urges the government to look again at this issue as mandatory Scope 3 emissions reporting is considered.

Response to relevant questions.

Chapter One

General Questions

1. ***What is your company number? If you work for an LLP, please state so here.***
   391957

   Logistics UK is a trade association representing the freight and supply chain sectors.

Chapter Two

General questions

7 & 8. What is your view on the use of the GHG Protocol for the purposes of Scope 3 reporting within IFRS S2? Will this lead to comparable and consistent reporting that is useful for investors and users of accounts? Would using the ISSB's approach to Scope 3 reporting have knock-on consequences for your organisation that the Government should be aware of? For instance, you may wish to consider the interaction between IFRS S2 and any EU regulations, or other energy/emissions reporting requirements that your organisation may be impacted by.

The Greenhouse Gas Protocol organisation sets the rules for carbon reporting. In its latest draft *Land Sector and Removals Guidance (Draft for Pilot Testing and Review, September 2022),* it is proposed that market-based instruments and mass balanced biomethane (as used within the Renewable Transport Fuels Obligation (RTFO) mechanism) would not be allowed. Operators would be required to report on location-based emissions only, which do not account for conscious procurement choices for green gas.

Biomethane provides an important stepping stone for logistics operators on the journey to net zero. It offers carbon emissions reductions of around 85% compared to diesel fuelled HGVs and enables operators to make tangible carbon savings in a challenging sector. However, operators of biomethane powered trucks now face a challenge to benefiting from using biomethane certificates within their scope 1 emissions beyond this year, reducing the incentive to decarbonise.

Historically, logistics operators have been able to purchase biomethane credits to account for the market-based emissions associated with truck fuels. This has led to increased investment in biomethane production infrastructure and demonstrates that the market can fund the production of additional green gas. The proposed change to biomethane reporting rules means that businesses would have to report their carbon as if they were using fossil methane, which would only provide a small benefit over diesel.

This proposal for location-based reporting is based on a misunderstanding that if biomethane is fed into the gas grid, the carbon benefit is published by Defra, and it would be double counting for transport users to report the carbon savings too. However, Defra's figures only take account of biomethane used for heating and not for transport use.

We are seeking urgent government intervention on this issue to call on the Greenhouse Gas Protocol organisation to continue to recognise RTFO biomethane in reporting. To promote the use of biomethane, the Greenhouse Gas Protocol must include a market-based approach to encourage additionality within the industry. This is especially vital for the logistics industry where we are currently lacking a robust supply and supportive infrastructure for low carbon fuels.

Chapter Three

General questions

15.What are your views on the overall costs and benefits of Scope 3 reporting? Please be as specific as possible.

Our members recognise the long-term benefits of reporting and understand the need to measure CO_2 emissions to provide trusted records that their decarbonisation plans are effective and recognise the long-term benefits that Scope 3 emissions reporting will bring. Many of them operate in international markets and are responding to similar reporting requirements in other countries.

Many members are already reporting Scope 3 emissions on a voluntary basis to gain a clear understanding of what processes and systems they need to put in place. However, concerns have been raised about data accuracy and the requirement to make assumptions about data in order to file the reports. For example, having to use estimations for employee commuting or customer travel.

Additionally, those who are undertaking voluntary Scope 3 emissions reporting, flag difficulties in asking suppliers for CO_2 emissions information. For many smaller suppliers they may lack capacity, knowledge or resources to be able to supply this information.

Amongst our members, there was widespread support for the use of thresholds, such as 80% of reporting to be from primary data, as a starting point for the process to introduce mandatory reporting. Those operators with experience of reporting have called for a phased approach to introducing compulsory Scope 3 emissions reporting with careful consideration of the timing of each phase.

If mandatory reporting is introduced with limited time for businesses to prepare or the data requirements are too onerous, this will increase the cost for businesses seeking to comply. The methodology and timescales for introduction therefore need to be carefully considered to ensure the benefits outweigh the cost of compliance.

Contact details

Denise Beedell, Senior Policy Manager, Logistics UK. Email: dbeedell@logistics.org.uk