Collaborative Decarbonisation: Information Sharing on Scope 3

Even before the introduction of ground-breaking climate regulation like the Corporate Sustainability Reporting Directive (CSRD), many big companies around the world were trying to chart a course to net zero.

Many were realising the scale of the task ahead of them, and the daunting prospect of having to make transformative changes to the way they operated all by themselves.

It’s because of this that more and more companies within sectors are joining hands on decarbonisation. The latest instance of this took place in the UK food sector, where companies have formed the *BRC Mondra Coalition.* But it has also happened in a number of other industries, such as telecoms, where the very biggest players have worked together for several years with their rivals on CSR issues.

Though at first glance it might seem odd to collaborate with the competition, there are very good reasons to do so.

Scope 3

The biggest hurdle to decarbonisation is Scope 3, the category of emissions which adds up to as much as 95 percent of a company's carbon footprint, and is the most difficult to address. It comprises the entire value chain outside of a company's direct operations and their energy purchases. The primary source of emissions within Scope 3 is a company's supply chain. Supply chains differ from sector to sector, but big companies often have supply chains that are complex, largely opaque, and stretch all around the world. Within each industry however, the major companies' supply chains often overlap, with multiple large companies having many suppliers in common. When companies collaborate, decarbonising the supply chain becomes much less daunting.

Take ESG off the board

Collaborating also takes ESG out of the realm of competition. Of course, markets run on competition, and it can be very useful. It tends to bring up quality, bring down prices, and fuel innovation. But in certain cases, it can do more harm than good. By collaborating on decarbonisation, companies that would ordinarily compete can take environmental, social, and governance (ESG) activities off the board. This reduces the risk of a company misreporting for the purposes of showing superiority or, on the other hand, trying to crowd out other companies by positioning itself as being the best in terms of ESG. ESG requires all companies, especially big ones, to be focused, persistent and diligent. It doesn't help to compete, investing resources in PR and marketing activities that could otherwise be repurposed into tangible action for the environment.

Share the work

For a single company, ESG activities can be time-intensive and potentially costly. A huge advantage for companies who collaborate is that they can dramatically reduce both their time expenditure and their costs. They can coordinate, for instance, around CSR audits and corrective action plans. By having annual supplier CSR audits shared among a number of companies, the workload for each of those companies plummets, while the suppliers only have to face one audit, rather than several. Everyone gains time and money, with no loss of efficacy.

Share the knowledge

There is far more knowledge contained in an industry or sector than in a single business. Collaboration affords all companies within a given sector to access that knowledge. Companies can share resources among themselves. They can discuss what has worked and what hasn't. And by coordinating webinars and training, collaborating companies can produce far more useful educational content than they would otherwise. A huge advantage of industry collaboration is that companies as a group can align on what works, while running their own experiments independently and sharing the insights gained from that. In this way, knowledge increases rapidly, and with regard to the climate crisis, time is of the essence.

Establish best practices

Knowledge is not enough. Action is the name of the game. Once collaborating companies have built up a foundation of knowledge, they need to set out best practices for their suppliers. This will vary from industry to industry, but it might include undertaking life-cycle assessments (LCAs) on a product's environmental impact, or switching production facilities to greener forms of energy. This aligned guidance is useful for suppliers, who will want to shore up any existing commercial relationships with the big companies that buy from them or appeal to other big companies. A list of best practices can be a kind of shopping list for suppliers to implement. Generally, suppliers who strive to align themselves with what collaborating companies want will benefit financially.

Learn from your mistakes

Knowledge and action should form a loop, with action building on knowledge and knowledge increasing as a result of that action. In other words, collaborating companies should evaluate their climate activities and then share what they've learned. Are your sustainability criteria effective? What emissions reduction strategies haven't worked? Are your supplier engagement programmes or contract clauses making a difference? In this way, industry bodies rapidly build up a corpus of knowledge that isn't just theoretical, but is practical and impactful. They can gather empirical, contextualised data that might run against any predictions they made before taking action.

Don't go it alone

Given the huge advantages of teaming up with the competition, it's senseless to go it alone as a big company. Sustainability legislation is becoming increasingly stringent, and it’s likely to get more so as the climate crisis intensifies. Big companies could be in line to pay hefty fines and deter a public who increasingly expect businesses to take the climate seriously and account publicly for what they’re doing. Existing industry collaborations – in telecoms, for example – have shown how effective working together can be. In fact, as in the case of the EU CS3D, “cooperation, industry schemes and multi-stakeholder initiatives” are actually encouraged as a means to “create additional leverage to identify, mitigate, and prevent adverse [environmental and human rights] impacts” in value chains. In light of this, and the many other benefits outlined in this article, companies serious about their carbon footprint and, ultimately, their bottom line, might consider extending an olive branch to their rivals.

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