White Paper

# The Business Benefits of Carbon Accounting

green project
an ACT company

# New Challenges, New Solutions

A lot has changed in the past few years. From new climate-first regulations to alarming new developments in the climate emergency, this guide is here to get you up to speed.

Scope 3 measurement has emerged as one of the greatest challenges businesses face as they pursue meaningful carbon reduction. While decarbonization requires organization-wide commitment, procurement teams are now key to delivering decarbonization goals through supply chain transformation.

With 2030 targets no longer a distant horizon, businesses are backing up their ambitions with science-based targets and concrete commitments.

We'd like to think that every business has at least assessed their relationship to sustainability by now. And you can't assess that relationship without thinking about emissions, their measurement, and their reduction.

> **"Globally and nationally, climate targets cannot be met without the action and transformation of all companies, large and small."**
>
> — *Source: The Times*

# An Introduction to Carbon Reporting

If we're to take any insight from the 9,306+ businesses that now have validated science based emissions reduction targets, it's that businesses are waking up to both the necessity and the benefits of carbon reporting.

That's a substantial increase, rising from just over 2,000 businesses with validated targets in 2022.

This is great news for the state of emissions reporting and shows how businesses are willing to leave misleading, overly-ambitious climate pledges behind by demonstrating evidence-based progress against realistic targets.

It does, however, obscure the fact that many businesses still struggle with Scope 3, whether due to oversight, uncertainty about where to begin, or past challenges.

Scope 3 is enormous; the CDP has asserted Scope 3 is around 26 times larger than operational emissions. And regulators are taking note. The EU's Corporate Sustainability Reporting Directive's (CSRD)'s expansive list of data points for businesses to report against requires deep Scope 3 data collection for businesses with long supply chains.

Even businesses that don't report into CSRD will have to take notice, as requests for the data required for CSRD compliance will cascade downstream.

Measuring Scope 3 is one of the biggest challenges that businesses face and should remain a key focus area. But who do businesses turn to? Sustainability professionals need to partner with departments like procurement, which are uniquely positioned to tackle Scope 3 by engaging suppliers, leveraging data, and implementing sustainable practices throughout the supply chain.

Decarbonization goals are no longer the enemy of good business goals, and all department heads must speak the same language so that data-driven, low-carbon reporting strategies are informed by the broader company necessities.

Operational change that allows for the continuous gathering of Scope 3 data can be painless and, in most cases, beneficial to business. Here's how it's done.

# What is Complete Carbon Accounting?

At its simplest, carbon accounting is the process of tracking and managing greenhouse gas emissions. However, as businesses produce emissions in a variety of ways, collecting, sorting, and analysing the data across a supply chain can be a complex task. As you read on, you'll discover why it's not only necessary to do so, but beneficial, too.

The Greenhouse Gas (GHG) Protocol breaks emissions into three 'Scopes.'

## Scope 1: Total Control

Known as direct emissions, these are emissions from activities owned or controlled by an organization.

Examples include emissions from combustion in owned or controlled boilers, furnaces and vehicles, and emissions from chemical production in owned or controlled process equipment.

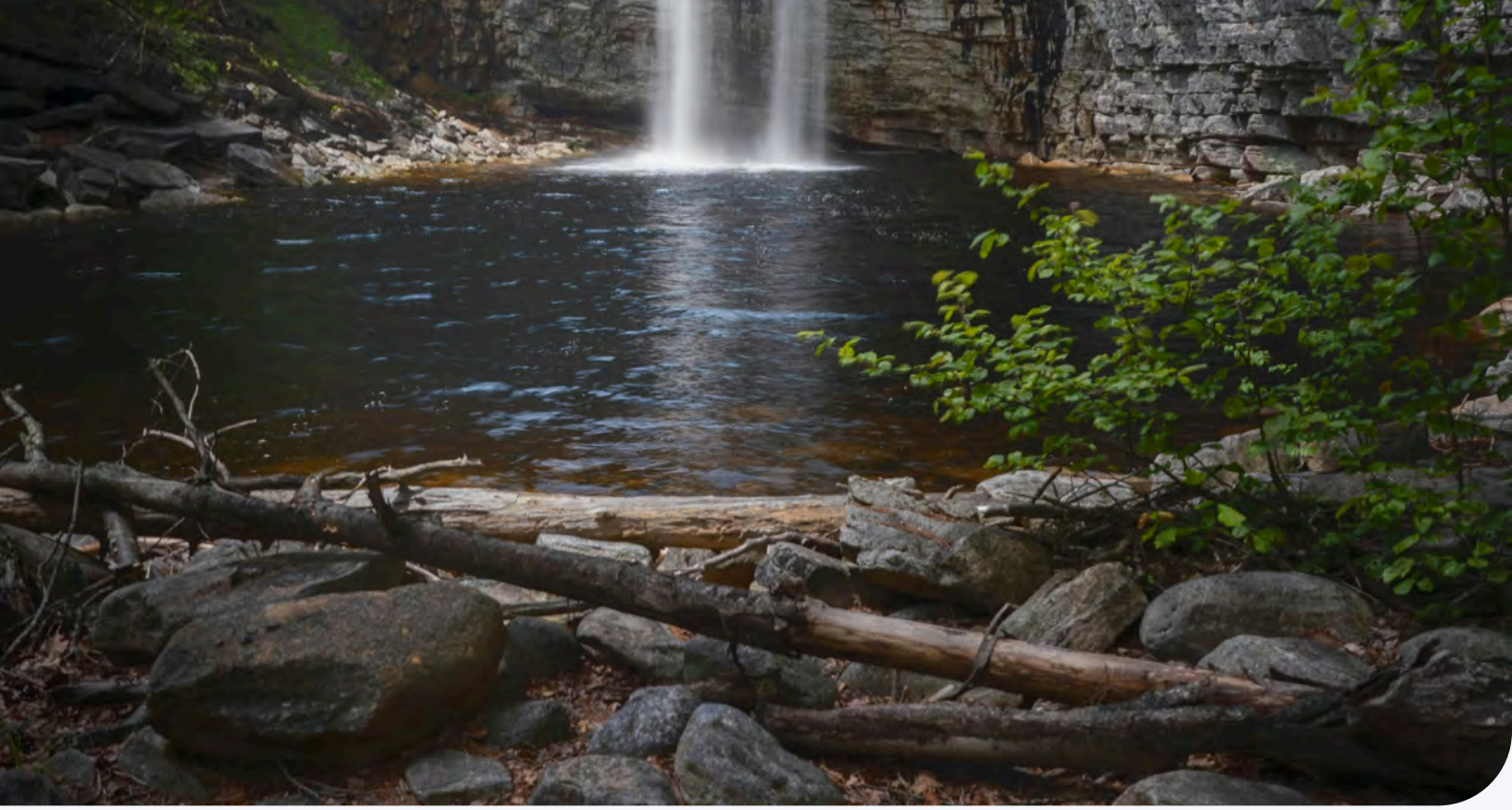
## Scope 2: Less Control

Also called indirect emissions, these are associated with an organization's consumption of electricity, heat, steam and cooling. They are a consequence of an organization's activities or choice of suppliers, but occur at sources the business does not directly own or control.

Examples would be air conditioning and electricity use for lighting, elevators, and IT equipment.

## Scope 3: Limited Control

These are the wider-reaching emissions caused by the value chain of business operations. Examples are business travel or the transport of goods to or from a site, or the sourcing of raw materials, development of product packaging, and the disposal of waste. Scope 3 emissions also include the lifetime emissions of sold products.



# Why Carbon Accounting Matters

Carbon accounting identifies the size, scale, and significance of each scope. Businesses can influence all three.

Scopes 1 and 2 result from the business' own operations, and are often easier to measure and mitigate than Scope 3, which results from its supply chain.

While the extent of company supply chains varies, Scope 3 can produce, on average, 5.5x the emissions of Scope 1 & 2. Measuring and reporting emissions data is the starting point for tackling all three.

A useful way to think about carbon accounting is like bookkeeping, but for emissions. If your measured emissions are your income, your offsets and reductions are your deductibles.

The results from that calculation are your carbon calculation that you use for reporting, target-setting, regulatory compliance, supplier benchmarking, and a whole slew of other useful initiatives.

> **"Businesses that implement sustainable initiatives can improve operating profits by up to 60%, and up to 70% of consumers will pay more for sustainable products."**
>
> — *Source: The Times*

## 84%

of Global CxOs surveyed agree the world can achieve global economic growth while also reaching climate change goals.

(Deloitte, 2023, CxO Sustainability Report)

## 80%

Of consumers are willing to pay more for sustainable produced or sourced goods.

(PwC, 2024, Voice of the Consumer Survey)

## $1.571 trillion

in impact investing assets under management (AUM) worldwide.

(Deloitte, 2023, CxO Sustainability Report)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## 50%

of Gen Z workers would take a pay cut to move to a more sustainable role.

(The HR Director, 2023)

## $1 trillion

The projected worth of the Eco-Actives consumer segment by 2028.

(Kantar, 2023, Who Cares, Who Does Report)

## 50%

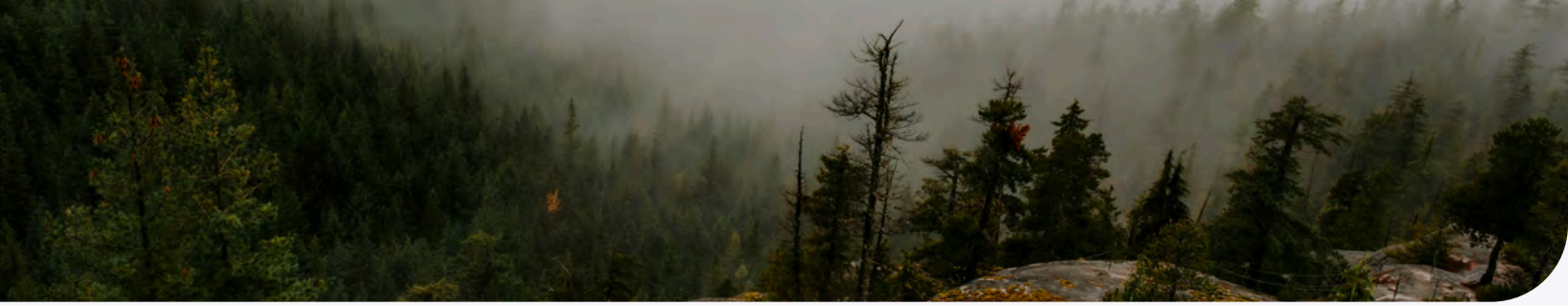
The projected worth of the global renewables sector by 2030.

(Spencer Ogden, Powering the Energy Transition)

## 20%

Of survey responders believe that brand reputation is the top business outcome companies expect from enhanced ESG reporting.

(Deloitte, 2024, Sustainability Action Report)



# The Business Benefits of Complete Carbon Accounting

Collaborative approaches and novel solutions to full Scope 3 inclusive carbon reporting reveal that the business benefits are both advantageous and numerous.

While regulation is going to force some latecomers to take action, many businesses are starting the decarbonization journey purely because it makes good business sense.

**Here's what the businesses who are left behind risk missing out on:**

## Cost Savings

There are clear financial advantages for organizations to measure and improve their environmental performance.

One major benefit is cost savings, particularly through lower energy usage, resource efficiency, and supply chain optimization.

Simply put, understanding where you generate emissions is the first step to reducing them and cutting costs.

With cost-consciousness driving business decisions, carbon reduction initiatives are more likely to gain traction across departments when linked to financial benefits.

Procurement teams in particular have a natural incentive to support carbon accounting, as supply chain optimization, waste reduction, and operational efficiencies can directly improve the bottom line.

And it's not just cost savings; carbon accounting can uncover other financial benefits. A detailed understanding of an organization's carbon emissions, coupled with actions to reduce them, increases supply chain resilience.

This mitigates climate-related supply chain disruptions, which could result in significant costs to businesses. Proactive emissions reductions also reduce investor scrutiny and bolster corporate reputation—ensuring that businesses remain competitive and attractive to long-term investment.

The evidence is clear: carbon accounting doesn't just reduce costs in the short term—it strengthens operational and financial resilience in the long run.

## Legislation

Mandatory carbon reporting legislation is becoming a worldwide reality, and businesses that act early on Scope 3 transparency will gain a competitive edge.

CSRD is here, and its effects will be felt whether you come under its direct scope or not. This means that the distinction between direct and indirect emissions is only getting fuzzier, and businesses are incentivized to share ownership for Scope 3 emissions.

Globally, more countries—including Canada, New Zealand, and Australia—are introducing stricter climate disclosure rules, making carbon transparency a growing business requirement.

For businesses, this shift isn't just about compliance—it's an opportunity. Those that act now can gain a competitive edge.

## Point of Difference

What might drive a business to start carbon reporting—market and regulatory pressures, investor and consumer demands—is often not the same reason it chooses to improve its carbon reporting.

Detailed carbon reporting can create market differentiation, setting an organization apart from its competitors. But it's not just potential customers who are attracted by this approach.

Investors and other stakeholders are increasingly demanding more detailed environmental information in annual reports and accounts. Businesses that demonstrate leadership in this area are more likely to attract ongoing investment.

**71%**

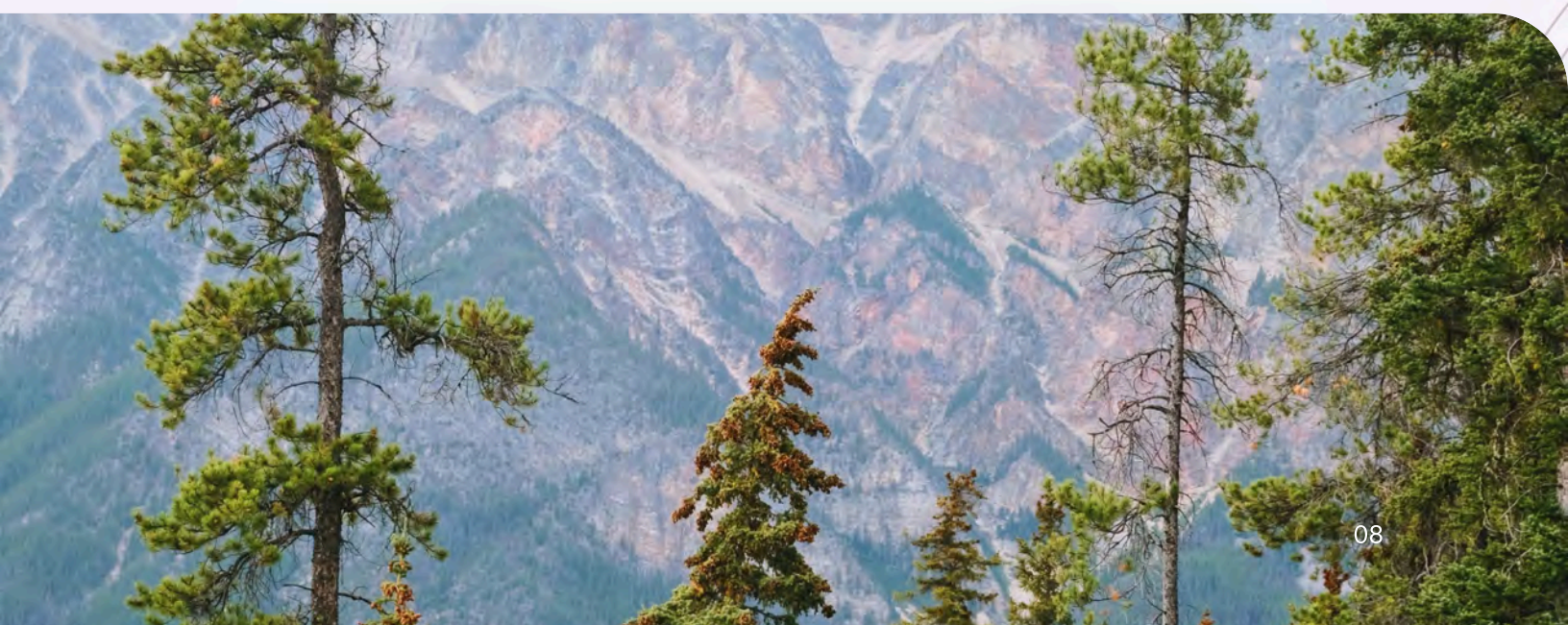
of investors agree that companies should incorporate ESG/sustainability directly into their corporate strategy

(PwC, 2024)

**50%**

of investors say that it is very or extremely important that companies change the way they create, deliver, and capture value in response to climate change

(PwC, 2024)



Businesses looking to expand through acquisition—or to be acquired—will be expected to provide information about their environmental performance in both the short and long term. This scrutiny will only increase in the future.

Over 70% of companies have abandoned acquisitions over ESG concerns (Deloitte, 2024, as cited in ESG Today).

This goes for suppliers, too. Your commitment to emissions data will make you stand out from the typical noise around Scope 3 reporting. Sustainably minded procurement specialists are more likely to use suppliers who can demonstrate high levels of emissions maturity.

93% of procurement professionals agree that sustainability is a top priority (Consultancy EU, 2023).

## Access to New Markets

Public procurement represents a major economic opportunity; approximately 15% of global GDP—over $13 trillion—is spent through public procurement each year.

A growing number of governments are integrating carbon performance criteria— particularly Scope 3— into their public procurement processes.

New markets represent new opportunities for businesses, and those that can demonstrate their carbon performance will gain a competitive edge when bidding for government contracts.

By leveraging carbon accounting and reducing emissions, businesses can take a slice of the lucrative public procurement pie.

## PR Opportunities

While policy landscapes might change, the climate emergency isn't going anywhere.

Businesses are showcasing their purpose more readily than ever, with science-based target adoption and B Corp membership almost doubling in the past 18 months in certain regions.

The discourse is moving from climate change to climate emergency. Companies that step forward and voluntarily display their emissions in an attempt to reduce them will benefit from a stronger public perception.

80% of consumers said they are more likely to trust companies that back up their sustainability claims with publicly shared data (Specright, 2023, as cited in PR Newswire).

A discussion around carbon emissions and what an organization is doing to reduce them also gives a business new content for its target markets.

In an era of greenwash, proving what your business is doing to reduce its impact and having accurate data to back up these claims can be powerful.

## Talent Recruitment and Retention

Sustainability remains a priority for Gen Z and Millennials. According to Deloitte's 2024 Gen Z and Millennial survey, 2 in 10 Gen Zs and Millennials have already changed jobs or industries to better align their work with their environmental values, with another 25% of both demographics planning to do so in the future.

Beyond job choices, employees are actively pushing their employers to take action on climate change. Around 54% of Gen Zs and 48% of Millennials say they and their colleagues are putting pressure on their employers to implement stronger sustainability initiatives.

More than half of CxOs are reporting that employee activism on climate matters has led their organizations to increase sustainability actions over the last year—24% of which said it led to a "significant" increase (Deloitte, 2023, CxO Sustainability Report).

The message is clear: in this era's war for talent, using carbon accounting as a tool to demonstrate your environmental credentials will help to attract recruits and inspire tangible climate results.

## Business Benchmarks

Any form of measurement, such as carbon accounting, encourages an outside-in view of a business.

It's an opportunity to step back, assess why things are done in a certain way, and identify areas for improvement.

With regulatory frameworks like CSRD, many businesses—whether directly in scope or part of a supply chain—will be required to report on emissions, including Scope 3.

This brings new opportunities for benchmarking against competitors and industry peers.

If a competitor has a far lower carbon footprint, what are they doing differently? Are they optimizing supply chains, sourcing lower-carbon materials, or improving energy efficiency? And what could you do to change your approach?

## Futureproofing

Carbon reporting helps businesses to better understand—and therefore mitigate—the risk climate change poses to their company, workforce, and operations.

These risks can be physical, such as extreme weather events disrupting supply chains, or business-related, including volatile energy and commodity prices or the unpredictable supply of raw materials.

By bringing carbon emissions higher up the corporate agenda, businesses can shine a light on areas which have had little scrutiny to date, allowing them to identify vulnerabilities and become more operationally resilient.

At the same time, carbon accounting serves as a futureproofing tool against regulatory uncertainty. We can take steps to comply with existing reporting requirements, but the global regulatory landscape is evolving rapidly. New and more stringent sustainability regulations are inevitable, and businesses that proactively track and report emissions—particularly Scope 3—will be better positioned to adapt as compliance expectations grow.

Beyond compliance, carbon accounting and the associated reductions in emissions can help businesses become more resource-efficient and financially resilient, enabling them to prepare for and ride out more challenging market conditions.

## Carbon Taxes

Governments worldwide are increasingly using carbon taxes and emissions trading schemes to encourage businesses to reduce their carbon footprints.

For businesses, this means the more carbon intensive their operations and supply chains are, the more costly it will be over time.

For example, the EU operates an Emissions Trade System (ETS) and the UK operates its own UK ETS. Under these cap-and- trade systems, large businesses must purchase allowances for emissions beyond their allocated limits. These costs aren't fixed, and will fluctuate as carbon pricing evolves.

The EU's Carbon Border Adjustment Mechanism (CBAM), part of the Fit for 55 package, is already affecting business decisions. This carbon levy applies to imports of steel, cement, aluminum, and other emissions-heavy products.

The impact is already being felt. Tata Steel recently announced plans to close its Port Talbot blast furnaces, partly due to CBAM and increasing carbon costs. Businesses that start preparing early will be able to make better, CBAM-informed procurement decisions that might help alleviate their carbon tax burden.

The focus of these policies is clear: businesses will have to pay for their emissions, either directly or through their supply chains.

Whether your suppliers are paying carbon taxes or your customers are passing costs down the chain, businesses that rely heavily on fossil fuel-based energy or carbon-intensive materials will face increasing financial pressure.

## Green Funding and Capital

Over the last few years, the availability of green funding has grown dramatically.

In 2024, the impact investing market reached $1.571 trillion in assets under management, managed by 3,907 organizations. This represents a significant increase, with the market projected to grow by $1.3129 billion between 2025-2029.

Carbon correction may bring a shift in the availability of capital available to a company, too. Investors could well start to penalize polluting companies with a higher cost of capital and reward greener ones by making it easier to access funding.

## Contributing to Carbon Reduction

We continue to see an increase in the number of companies looking to reduce their carbon impact. While the business focus of carbon accounting is often on financial metrics, the substantial reduction in carbon emissions has a clear environmental benefit, too.

By automating and digitizing the way companies measure, record, and report their carbon footprint, we're giving them more time and tools to tackle carbon hotspots and reduce emissions.

According to the Science Based Targets initiative (SBTi) Progress Report (2021) companies with approved targets collectively reduced their Scope 1 and 2 emissions by 29% between 2015 and 2020.

## Benefits for Small Businesses

While most climate legislation only currently applies to large organizations, small and medium-sized businesses (SMEs) stand to benefit by following their principles, too.

SMEs make up the vast majority of all enterprises and provide most private sector jobs, yet only 7.7% have formal sustainability reporting programmes (ICAEW, 2023).

Unlike large organizations with dedicated teams and resources, SMEs often lack the time, expertise, and budget to implement structured carbon accounting.

However the benefits are just as relevant, if not more so for smaller businesses, and the pressure is mounting.

A global study of 16,000+ SMEs found that requests to SMEs for sustainability-related data are rising in frequency and complexity (ICAEW, 2023).

At the same time 83% of SMEs recognize sustainability as important to their business, up from 76% in 2022, and 58% are already making sustainability commitments to key stakeholders (ICAEW, 2023).

This shift reflects not just growing regulatory and market expectations but also the realization that sustainability can drive competitive advantage.

To help SMEs take meaningful action, platforms like the SME Climate Hub provide free tools and resources in partnership with companies like Green Project. So far, over 9,000 SMEs have made a commitment to reducing their emissions.

## How to Start Your Carbon Management Journey

Carbon accounting can be a messy, time-consuming, and labor-intensive process. It often requires manual collection of a vast amount of primary data.

For example: the carbon accountant talks to the procurement manager to track purchased fuels, the facilities manager for on-site electricity spend, and the fleet manager for vehicle mileage. Finally, they convert the electricity and fuel expenditure data into the CO2e number, repeating this process across every operational area.

There are a number of risks to this approach. Its manual, dependent on interdepartmental collaboration, assumes data availability, and assumes that the accountant in question has deep operational knowledge.

Perhaps most importantly, it rarely captures the full picture of Scope 3 emissions.

But starting to measure and report your carbon emissions doesn't have to be complicated. Try these easy steps:

### Contributing to Carbon Reduction

For businesses that own 100% of the assets they operate, this will be straightforward—you would report on the impacts of everything you own and operate. This process is more convoluted for joint ventures, leased assets, or supply chain emissions.

### Decide the period for which you should collect data.

Reporting periods should be for 12 months running in conjunction with your financial year, making it easier to compare the two.

### Understand the key environmental impacts of your organization.

By looking holistically at all your organization's operations, assess where you create the most direct and indirect emissions.

This will typically be in the following areas: GHG's, water, waste, materials and resource efficiency, biodiversity/ecosystem services, and emissions to air, land, and water.

## Start measuring

Carbon measurement often begins as a manual process but should progress towards automation to integrate with financial and operational reporting.

Digital solutions and carbon accounting software can streamline data collection and improve accuracy, particularly for Scope 3 tracking, where emissions data often comes from external suppliers.

Measurement could center around the following areas:

- Amount of emissions
- Financial significance
- Potential ability to influence impact
- Importance to your business
- Importance to stakeholders

## Report on your findings

Set out the methodology you used to collect the data; provide trends in the data (if you have them at an early stage); set out progress against targets; and link your environmental performance to your financial progress.

Finally, identify the risks and opportunities from your ecological impact and set out how you are managing that risk.

## Put together an action plan

This plan should include environmental KPIs which are directly linked to financial performance.

For example, if you reduce your carbon emissions by 1%, what impact does that have on cost savings and profitability?

Creating KPIs of this nature moves carbon reduction from being just the focus of the sustainability team to a board-level issue that affects the future performance of your business.

## Conclusion

Business uptake of science-based targets and mandatory compliance with incoming regulations has demonstrated that carbon accounting isn't just about mitigating the climate emergency. The business benefits are also too good to pass up.

As sustainability is weaved into business DNA through interdepartmental cooperation and advanced supplier engagement, carbon accounting will become as routine as regular accounting. And far as routines go, we can't think of a more profitable or vital one than sustainability

**“Leaders in the net-zero transition will be those companies that recognize new possibilities for value creation and make credible efforts to pursue them.”**

— *Source: McKinsey*

# Carbon Reporting: Then, Now, Next

Carbon reporting is nothing new, and continues to evolve over time.

**2022**

## SEC Climate Disclosure Rule Proposed

The U.S. Securities and Exchange Commission (SEC) introduced a mandatory emissions reporting framework for large companies, requiring climate-related disclosures including Scope 1, 2, and, in some cases, Scope 3 emissions.

**2023**

## CSRD Enacted

The EU replaced the Non-Financial Reporting Directive (NFRD) with the CSRD, expanding mandatory sustainability reporting to 50,000 companies.

**2024**

## Corporate Sustainability Due Diligence Directive (CSDDD)

The EU required large companies to identify, prevent, and mitigate environmental and human rights risks within their supply chains.

**2025**

## 2030 SBTi Targets

The countdown is on for those with near-term SBTi targets, with only five years left to deliver on commitments.

**2026**

## 2026 California Climate Accountability Laws (SB 253 & SB 261)

California becomes the first U.S. state to require large companies to report Scope 1 and 2 emissions annually (with Scope 3 following in 2027).

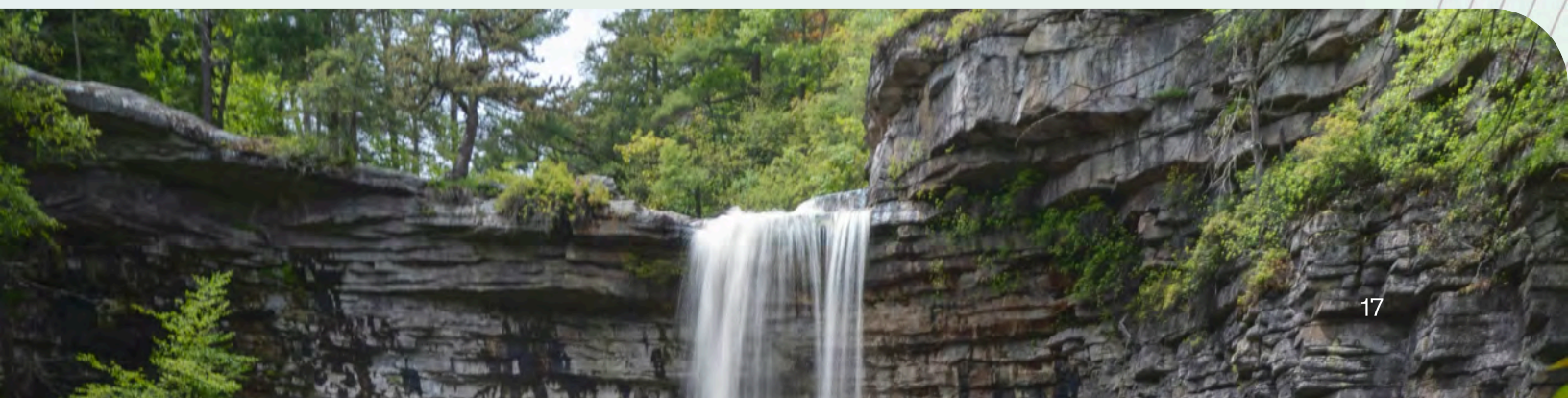
**2027 and Beyond (Projected)**

## GHG Protocol Updates

Significant updates to the GHG Protocol - covering Scope 2 guidance, market-based accounting, and revised Scope 3 categories - are expected to be released following ongoing public consultations.

## SBTi Framework Updates

SBTi plans to update its Net-Zero Standard and target-setting criteria



# Ready to act on carbon reductions?

Green Project empowers businesses to confidently measure, manage and reduce carbon emissions across their entire value chain so they can reach their goals and reap the benefits that properly managed emissions can bring.

## Our suite50 platform enables you to:

### Do more with emissions data

Collect accurate, primary supplier emissions data for a complete, auditable Scope 3 footprint.

### Decarbonize your supply chain

Engage suppliers at any maturity level, set science-based targets, and implement tailored reduction strategies.

### Make data-driven procurement decisions

Access actionable emissions insights, integrate with procurement systems, and align with global sustainability standards.

### Ensure compliance with evolving regulations

Get disclosure-ready data for reporting frameworks.

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an ACT company

# We empower teams to reduce Scope 3 emissions and increase transparency

Book a Demo

## Get in touch to learn more

info@greenprojecttech.com