

Scope 3 & Suppliers guideline

Greenhouse Gas Protocol Scope 3

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1 Introduction

In its action plan for 2022, the HSE Advisory Board for the Federation of Norwegian Industries Oil & Gas decided to establish a guideline on reporting Scope 3 emissions based on the Greenhouse Gas Protocol.

The European Commission has presented an EU directive regarding a standard for reporting on sustainable goals, which is based on international standards and the Greenhouse Gas Protocol (GHG). As a result of the directive, standards and experiences, the Federation's guideline will continue to be revised to reflect governing requirements and common best practices within the Federation.

1.1 Background

The strategy for the Oil & Gas branch suppliers is to encourage its members to take social responsibility, be future-oriented and focus on minimal emissions in products, technologies and solutions. The creation of a guideline for reporting Scope 3 emissions was initiated by the HSE Advisory Board to fulfil the strategy.

A high number of member companies have started reporting according to the Greenhouse Gas Protocol / ISO 14064-1:2018, on Scope 1 and 2. In addition, some of the member companies have also started working with parts of Scope 3. Scope 3 usually accounts for > 70 % of all emissions related to activities (e.g. purchases of materials, business travel, employee commuting).

Reporting and collection of data on Scope 3 is currently "optional", but materiality must be assessed and possibly included in accounts and reporting. Several companies plan to work systematically with Scope 3 emissions and include these in the accounts for overview as a basis for improvement (including in the supply chain). More customers are asking their suppliers how they are working with Scope 3 to ensure emissions reductions and improvements that support UN climate goals.

The expectation for reporting from customers is not yet standardized, services like Magnet JQS (Joint Qualification System) in Offshore Norge and Achilles OGE (Oil and Gas Europe) require reporting with reference to the GHG protocol and the Scope definitions (e.g. reported emissions, electricity, waste and recycling of waste, cement, steel). Several suppliers find it appropriate to collaborate on their approach with regard to how Scope 3 is covered and monitored. A best practice document and common guideline for both reporting the essential Scope 3 categories for suppliers and a guide for how to monitor (e.g. subcontractors), would therefore be of use.

Proposals for a mandate, working group and plan for work were established in the spring meeting 2022. Ahead of this meeting, the HSE Advisory Board studied the GHG protocol and agreed where to

collaborate. Several companies presented how they work with emissions reporting in order to reduce their climate footprint.

1.2 Mandate

- To establish a "Best Practise" guidance document for suppliers in the oil and gas sector and offshore wind in The Federation of Norwegian Industries for reporting and follow-up of Scope 3 (GHG-protocol)
- The Best Practice guidance shall contain and be limited to (upstream oil and gas production):
 - Guidance on materiality assessment of all 15 categories and examples based on rough classification of supplier operations (Tier 1 contractors/EPCI supplier, Tier 2 suppliers and system suppliers and Tier 3 product suppliers)
 - How to map and include waste, examples of activities that reduce emissions (Category 5)
 - How to map and include all travel activities in the company, examples of areas that reduce emissions (Categories 6 and 7)
 - How to map and include raw materials such as steel, cable, chemicals and concrete, including a description of which raw materials making a significant impact to ensuring that important raw materials are not being excluded (Category 1)
 - How to identify and include essential products, equipment and services that are not raw materials (Category 1 and assess Category 2)
 - How to map and include logistics and transport services (Category 4)
 - A presentation of practical examples (based on materiality)
 - A brief description of the categories that have not been part of the mandate. Decide and define the need for further collaboration on these
 - Suggest next steps for collaboration on Scope 3 (including tools for digitization and how to deal and cooperate with subcontractors)

1.3 Participants

The guideline aims to embrace the different challenges that suppliers may face when working with Scope 3. Several companies participated in the development of the guideline, three of them represent contractors/EPSCI and three companies represent suppliers/system providers (also services). DNV and Equinor assisted the working group by contributing with their experience and insights. CEMAsys has contributed with the description of Materiality Assessment in the guideline.

2 Abbreviations

HSE	Health, Safety & Environment
GHG	Greenhouse Gas
LCA	Life Cycle Assessment
EPD	Environmental Product Declaration
SBTi	Science Based Target initiative
UN	United Nations

3 Scope 1, 2 & 3 in GHG

3.1 Description of Scope 1, 2 & 3

Scope 1: Direct GHG emissions

Direct GHG emissions occur from sources that are owned or controlled by the company, for example, emissions from combustion in owned or controlled boilers, furnaces and vehicles. Emissions from manufacturing processes like chemical production shall also be included. Direct CO₂ emissions from the combustion of biomass shall not be included in Scope 1. GHG emissions not covered by the Kyoto Protocol, e.g., CFCs, NO_x, etc. shall not be included in Scope 1.

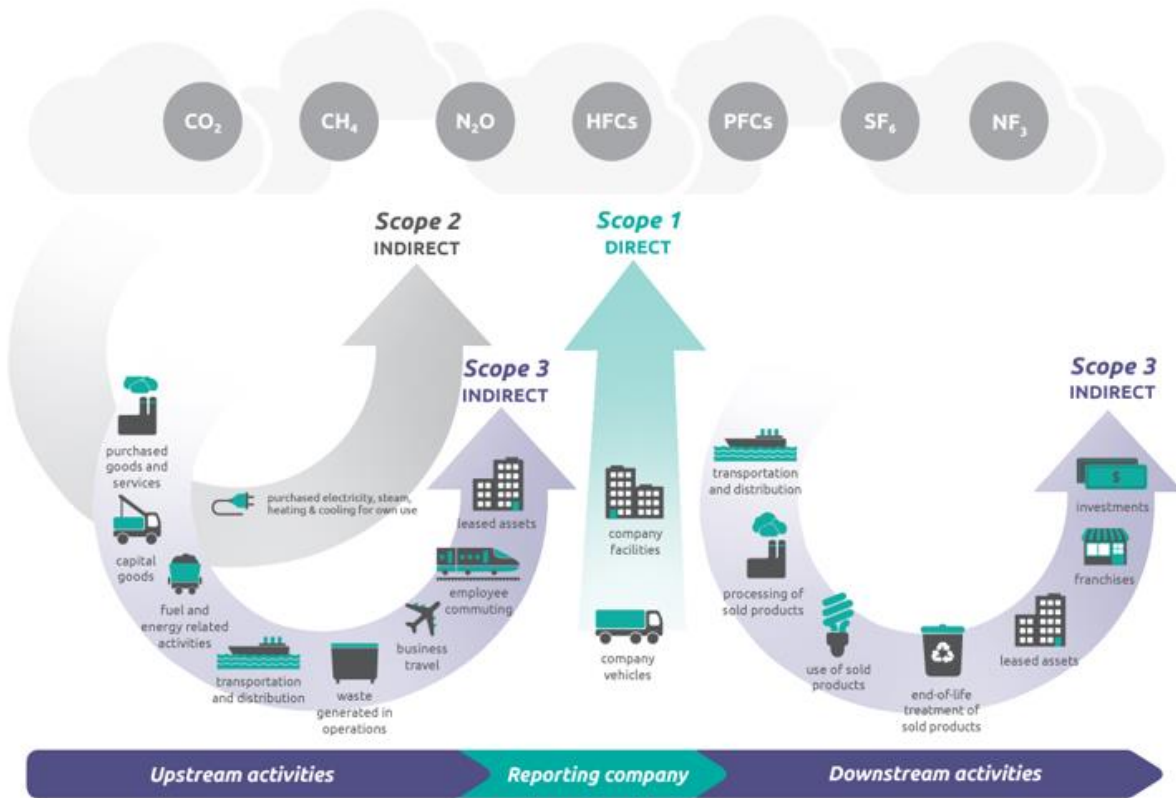
Scope 2: Electricity indirect GHG emissions

Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.

Scope 3: Other indirect GHG emissions

Scope 3 is an optional reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by the company. Some examples of Scope 3 activities are extraction and production of purchased materials, waste, business travel transportation of purchased fuels, use of sold products and services.¹

¹ Source: *The Greenhouse Gas Protocol – a Corporate accounting and reporting standard (revised version, chpt 4 s 25)*



Source: [WRI/WBCSD Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard \(PDF\), page 5.](#)

3.2 Categories and Materiality assessment

A materiality assessment is conducted to prioritize where to start reporting. The focus on the materiality assessment in this first draft is due to its importance in the Mandate.

In this section, we have focused on the supplier industries to get an overview of their activities and how they affect the climate and environment.

Compared to Scope 1 and Scope 2 accounting, Scope 3 emissions may be accounted for more than once. The Scope 3 emissions, from categories such as purchased goods (i.e., input materials), transportation, processing, and use, could be reported by several companies and categorized into different Scope 3 categories or the same, depending on each company's boundaries and operations. The Scope 3 emissions should reflect the company's value chain emissions.

When deciding on which Scope 3 categories to start reporting, a screening process of the Scope 3 inventory is recommended. Mapping the value chain activities is important when analysing the inventory. Companies should also follow the principles of relevance, completeness, accuracy, consistency, and transparency when deciding whether to exclude any activities from the Scope 3

inventory. Companies should not exclude any activity that would compromise the relevance of the reported inventory. Companies may exclude scope 3 activities from the inventory, provided that any exclusion is disclosed and justified.

However, the GHG protocol focuses on *relevant* Scope 3 categories. But the amount of Scope 3 categories the company chooses to report depends on ambition level as well as its value chain.

Companies that would like to set an emission reduction target in line with science, would need to include all categories that relate to the company's value chain. [The Science-Based Target Initiative](#) has set the threshold for 2/3 of all Scope 3 categories to be included for short-term targets, and 90% of all emissions to be included for Net-Zero and long-term targets.

The following section will list our prioritized categories (see Mandate), a description from our industry and a thought on materiality assessment. You will find the rest of the categories in the annex with a short materiality assessment for each of them.

3.2.1 Purchased goods and services

3.2.1.1 General - From the industry:

Purchased goods and services includes all upstream (i.e., cradle-to-gate) emissions from the production of products purchased or acquired by the reporting company in the reporting year and includes both tangible products and intangible products (services).

Emissions from goods and services covered by the other categories 2-8 are not to be reported in category 1.

All emissions from the production of the purchased goods and services are to be reported in the year of purchase or acquire.

For further description, please see [GHG Protocol – Category 1: Purchased Goods and Services](#).

Use the following methods as identified in the GHG protocol to calculate the category 1 emissions:

1. **Supplier-specific method** – collects product-level cradle-to-gate GHG inventory data from goods or services suppliers.
2. **Hybrid method** – uses a combination of supplier-specific activity data (where available) and secondary data to fill the gaps.

This method involves:

- collecting allocated Scope 1 and Scope 2 emission data directly from suppliers;

- calculating upstream emissions of goods and services from suppliers' activity data on the amount of materials, fuel, electricity, used, distance transported, and waste generated from the production of goods and services and applying appropriate emission factors; and
 - using secondary data to calculate upstream emissions wherever supplier-specific data is not available.
3. **Average-data method** – estimates emissions for goods and services by collecting data on the mass (e.g., kilograms or pounds), or other relevant units of goods or services purchased and multiplying by the relevant secondary (e.g., industry average) emission factors (e.g., average emissions per unit of good or service).
 4. **Spend-based method** – estimates emissions for goods and services by collecting data on the economic value of goods and services purchased and multiplying it by relevant secondary (e.g., industry average) emission factors (e.g., average emissions per monetary value of goods).

3.2.1.2 Steel and metal

With reference to overview of the total global emissions per sector in 2016, Iron and steel production represents 7,2% of all global emissions² EPCI contractors for topsides, modules, fabrication etc., will steel be a major emissions contributor to Scope 3 and the carbon footprint reporting. Steel is produced in many different areas of the world with different manufacturing methods. Often the company contracts buy steel components from wholesalers based on quality, quantities and cost. The energy and heat from the process for production mainly come from fossil fuels, which is primarily coal and gas. The use of fossil fuels means that the average CO₂ emission from steel production is about 1.85 tonnes CO₂ per tonne of steel produced in Europe. Some steel can also have over 3 tonnes CO₂ per tonne of steel, this depends on the manufacturing method and total energy consumed.

There are different type of steel on the marked today called “green steel” or “environmental steel”, this is not “green”, but steel produced with a higher degree of re-cycled steel or by use of renewable energy source, however often only applies for a lower quality grades. This re-cycled steel has a lower carbon footprint, but due to lower specifications cannot current be use in most oil, gas and renewable energy projects. There are initiatives to convert steel production to manufacture steel with minimum emissions and improved carbon footprint by using hydrogen and renewable energy. The quality of this steel shall be of higher quality standards and might be available commercially from approximately 2030.

All contractors using steel in their products or projects should include the steel in Scope 3 category 1.

² Emissions by sectors, <https://ourworldindata.org/emissions-by-sector>

The most time-consuming way of reporting from year to year is to use the tonnes from production and include this in the reporting system using norms from source like DEFRA 2021 in a reporting system. If EPD's (Environmental Product Declaration) is available, the information can more specifically be found in this documentation. Including storage emissions and transport to the construction/fabrication site. See details from the table under chapter 3.2.1.

Different calculations from consultants or reporting systems normally calculates from 4 to 4,3 t CO_{2e} pr ton steel.

UK Government reporting factors for company reporting:

- [2021 Government greenhouse gas conversion factors for company reporting: Methodology paper \(publishing.service.gov.uk\)](#)

Excel overview of 2021 UK factors

- [conversion-factors-2021-full-set-advanced-users.xlsm \(live.com\)](#)

[\(Emissions Factors 2022 – Data product – IEA\)](#)

Tips to reduce emissions for contractors:

- Re-use of support steel during construction from project to project
- Reduce surplus with good planning
- Increase level of standardization
- Check with client / contract if re-cycled steel can be used
- Early phase design solutions to reduce tonnes of steel

3.2.1.3 Concrete

The cement sector is the third-largest industrial energy consumer and the second-largest industrial CO₂ emitter and represents about 7% of CO₂ emissions globally (reference [IEA 2020](#)). In the energy section, cement is used widely in the renewables as a concrete foundation for windmill and floating devices. The main ingredient of cement is limestone. The Portland Cement production generally comprised of a mixture of raw materials in the following compositions of 67-75% limestone, 10-15% clay, 0.5-1.5% iron ore and 8.5-11% coal. The mix will undergo rough grinding, then preheating before the calcination (drying) process which is conducted in a rotary kiln before it is cooled and send for final grinding. The final product is then called cement. Carbon dioxide is emitted as a by-product of clinker process, in which the calcium carbonate is calcinated and converted to lime. CO₂ is also emitted during fossil fuel combustion.

All contractors using cement in their products or projects should include the cement in Scope 3 category 1 due to its high environmental impacts. The cement industry is well established in

environmental product declaration process and is able to provide EPDs for their products, however the product category rules (PCR) is only for a cradle to gate (e.g. 0.6-1 T CO₂ -Eq per tonne product) and transportation (0.1 to 2.81 T CO₂ -Eq per tonne product). If CCS is part of the mitigation, it needs to be captured in the EPDs process.

In Norway, the Norcem Brevik cement facility specifies an annual reduction in emission with an integration of CCS and creating green cement, and is expected to reduce 400,000T CO₂ annually.

Some areas to look into for reduction of impacts

- Energy efficiency of kilns
- Fuels switching in the production
- Switch to alternative clinker sources, low-clinker cements, innovative binders, innovative concrete solutions
- Use of CCS as an interim solution for cement industry
- Kiln electrification in the future as an absence of CCS

3.2.1.4 Chemicals

The chemicals industry accounts for 6% of global greenhouse gas emissions. It is the largest industrial energy consumer and the third largest industry subsector in terms of direct CO₂ emissions.

Chemicals can be an actual part of a supplier`s deliveries or only used as a necessary tool in the production process of delivering several types of products or services such as e.g. lubricants or glues.

Examples of chemicals being the actual component of a service deliveries could be surface treatment/painting and chemical cleaning services.

In terms of the materiality assessment, we know that production of chemicals represents high CO₂ emissions so chemicals is a category to be included in a materiality assessment. The evaluation should subsequently be as to what extent is chemicals a substantial part of the product and/or the service delivered, the volume of each chemical product used and the actual emission related to each relevant product.

The chemical industry is well established in environmental product declaration process and is able to provide EPDs for most of their products. The quantity used in production can then be calculated based on what is stated in the respective EPD.

The selection of chemicals, when a crucial part of the product or service, is stated in various specifications set from the operating companies. The environmental impact and CO₂ emission should be weighted more than it has been in the past when producing and/or revising existing specifications.

In addition, chemicals CO₂ emission factor should be weighted as a criterion in the periodic chemical substitution evaluation performed by companies.

3.2.1.5 Materiality assessment – Category 1

The purchased goods and services category represents a material category of emissions for most of the suppliers to the oil and gas companies. The location in the value chain and the type and amount of purchased goods and services will affect how material the category is but should be considered for all companies.

Category 1 is material for all companies where products are bought and paid for, even though the products are to be utilized by another party. Often tangible products are more material to report on than services. The suppliers to E&P companies often supplies products that contain steel, cement, and other materials that currently have a few low-carbon alternatives. There might also be services that lead to a relatively high level of GHG emissions such as shipping and transport. Minor product purchased is less material in terms of emissions, such as paper and pens to the office compared to tons of steel.

3.2.1.6 Case study

Company A operates as an EPCI supplier. The company orders products for an E&P company that is an operator on the field XY. Company A has just started to map category 1 and has thousands of products and services ordered during the reporting year. The company has started to identify the main product groups purchased during the reporting year. As the company currently has hundreds of products and suppliers, the company has started to look at the average-data method for reporting. This means, that the main product groups identify the amount of volume per material. This could be for tons of steel, cement, and aluminium. A global average emission factor for each of these materials can be applied, or more site-specific or supplier-specific emission factors if available.

3.2.2 Capital goods

3.2.2.1 General – From the Industry:

Capital Goods are defined as all upstream (i.e., cradle-to-gate) emissions from the production of capital goods purchased or acquired by the reporting company in the reporting year.

Capital goods are physical assets that a company uses in the production process to manufacture products and services for the customer. Capital goods include buildings, machinery, equipment, vehicles, and tools.

All emissions from the production of the capital goods are to be reported in the year of purchase or acquire.

Emissions from the use of capital goods by the reporting company are accounted for in either Scope 1 for such as fuel use, or Scope 2 for such as electricity use.

For further description, please see [GHG Protocol – Category 2: Capital Goods](#).

Use the following methods as identified in the GHG protocol to calculate the category 2 emissions:

1. **Supplier-specific method**, which involves collecting product-level cradle-to-gate GHG inventory data from goods suppliers.
2. **Hybrid method**, which involves a combination of supplier-specific activity data (as available) and using secondary data to fill the gaps.

This method involves:

- collecting allocated Scope 1 and Scope 2 emissions from suppliers
 - calculating upstream emissions of goods by collecting available data from suppliers on the amount of materials, fuel, electricity used, distance transported, and waste generated from the production of goods and applying appropriate emission factors
 - using secondary data to calculate upstream emissions wherever supplier-specific data is not available.
3. **Average-product method**, which involves estimating emissions for goods by collecting data on the mass or other relevant units of goods purchased and multiplying by relevant secondary (e.g., industry average) emission factors (e.g., average emissions per unit of good)
 4. **Average spend-based method**, which involves estimating emissions for goods by collecting data on the economic value of goods purchased and multiplying by relevant secondary (e.g., industry average) emission factors (e.g., average emissions per monetary value of goods).
Collecting lifecycle assessments for the product (including EPDS) provided by the supplier.

Emission factors may be part of your ERP system or can be provided by sources such as <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>

The source of your emission factors used needs to be obtainable and to be specified when reporting.

3.2.2.2 Materiality assessment Category 2

Category 2 is material for companies that own a lot of fixed assets, plants, property, and equipment. This representing most of the companies that this guidance is developed for. Companies generally just include emissions from their own capital assets. A company should not double count between category 1 and category 2 but follow the financial accounting procedures. Examples of capital goods for suppliers to the E&P industry are machinery, fleets, and different kind of installations.

3.2.2.3 Case study

[Case study 2-1](#)

Company B operates as a product supplier. The company creates different equipment to be installed at oil rigs. To create the different equipment, such as compressors, the company owns different machinery to be able to produce these compressors. The machinery consists of steel and is therefore considered material due to steel being a carbon-intensive product. The supplier of the machinery has created an EPD. Company B has sent the EPD to their carbon footprint supplier which has created an emission factor for this product group based on the unit in the EPD. Company B reports on the quantity of this machinery to match the EPD and to get supplier-specific data for emission reporting on their capital goods category.

Case study 2-2

Company B has several other assets where the company is not able to gather any data for reporting from its suppliers. Suppliers are not able to send an overview of the material composition of the equipment, and a has not started to consider creating a Life cycle assessment of the products company B purchases. Therefore, company B has decided to create an estimate based on spend for these assets to see if they are material to include. The company gathers spend based per assets and looks for relevant spend-based emission factors. If no relevant emission factors exist, company B decides to exclude it from the reporting and be transparent about this in the ESG report.

3.2.3 Fuel-and energy-related activities (not included in Scope 1 and Scope 2)

Please find descriptions of this Category 3 in the Annex.

3.2.4 Upstream transportation and distribution

3.2.4.1 General - From the Industry:

Transportation and distribution of products and services purchased by the reporting company in the reporting year between a company's Tier 1 suppliers and its own operations, and transportation and distribution internal and between company's own facilities (in vehicles and facilities not owned or controlled by the reporting company)

3.2.4.2 Category 4 Construction and services

	Examples
Transportation mode	<i>Boat, truck, train or air</i>
Distance	<i>km</i>
Weight/Volume	<i>kg/dm3</i>
Storing during transit– e.g. electricity	<i>N/A (low impact)</i>
Refrigeration or heating	<i>Reefer/dry (kw?)</i>

3.2.4.3 Materiality assessment Category 4

Upstream transportation and distribution are a material category for all of the three supplier groups described in this guidance. As suppliers often pay for transportation inbound and outbound and therefore choose the transportation mode, this category should be seen as material. There are often not possible to gather fuel from the carriers, but there is common for carriers to be able to deliver solid information on transport mode, transported volume, and distance.

For the distance-based method, the heavier and the longer distance for the transportation the more material is the category. This also being backed up by the suppliers often applying less low-carbon alternatives for transportation such as transport by electric trucks. There seems to be common to use trucks, air freight, and to a lesser degree ships.

3.2.4.4 Case study

Company B operates as a product supplier. The product supplier buys finished products from suppliers in Thailand, but the company also sources raw materials for fabrication in-house in Norway. The suppliers of the finished products do not have an LCA or EPD. The previous reporting of the materials does not, therefore, include any upstream transportation emissions. Company, therefore, contacts their carriers and can get a complete tCO₂e report of transportation. Company B reports this information in its carbon footprint accounting.

For the suppliers of raw materials, company B has several suppliers globally that they do not have any data. Company B therefore decides to estimate the emissions to figure out the emissions from these suppliers as they acknowledge that transportation is a material category for them. They estimate the emissions by taking the total volume of transported goods times the distance travelled. The total ton-kilometers are reported in the carbon footprint accounting system, and an emission factor for the relevant transport mode is applied. Company B then experience that road transportation is the most common method for their main carrier operator, but other carriers use less carbon-intensive transport modes such as train and ship transportation.

3.2.5 Waste generated in operations

3.2.5.1 General - From the Industry:

This includes all waste generated from productions.

For further description, please see [GHG Protocol – Category 5: Waste Generated in Operations](#).

Use the following methods to calculate the category 5 emissions:

1. Specific emissions generated from waste - Such as provided by the renovation supplier.
2. If such information cannot be obtained, an emission factor may be used based on each waste category.

Emission factors may be part of your ERP system or can be provided by sources such as .

<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>

The source of your emission factors used needs to be obtainable and to be specified when reporting.

3.2.5.2 Materiality assessment Category 5

This category is considered a low-hanging fruit as it is closely connected to the operation of the reporting company. The more waste resulting from a company's operation, that cannot be recycled but would need to go to a landfill or be incineration the more material the category is. Companies that operate in countries where it is more common to send waste to landfill could estimate that emissions from this category to be higher than for companies that only operate in Norway.

Most material sources of emissions from this category can be products or by-products from operations that are considered hazardous waste such as spills of oils and fuels.

This category is also relevant of large quantities of waste that are going to be recycled, such as decommissioning of offshore installations. Waste is also an important environmental concern for stakeholders and should be considered material.

3.2.5.3 Case study

Company A operates as an EPCI supplier and has no production in-house. The waste from the operation includes office waste. Company A does have a company policy to reduce waste as much as possible, so the category is established to be material for the company. Total volume, waste fractions, and treatment methods are gathered and reported on. Company A figures out that emissions from waste only stand for 1% of total Scope 3 emissions but continue to focus on reporting and increasing the recycling rate.

3.2.6 Business travels

3.2.6.1 General - From the industry:

Business travels include emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and taxi.

Information about where to find the distance to be used in the calculation is e.g., from the travel agency or from the company's ERP system.

CO₂ factor can be found in- DEFRA & US EPA, [The Norwegian Emission Inventory 2016. Documentation of methodologies for estimating emissions of greenhouse gases and long-range transboundary air pollutants \(ssb.no\)](#)

[ICAO Carbon Emissions Calculator](#)

3.2.6.2 Example1:

A person travels by airplane to a destination for business-related activities. This can be calculated as the distance by airplane multiplied by a CO₂ factor for the airplane depending on if the distance is domestic, intercontinental or continental.

3.2.6.3 Example 2:

A person travels by train, car or boat to a destination for business-related activities. This can be calculated as the distance by train, car or boat multiplied by a CO₂ factor for the train, car or boat.

Another solution is to get the CO₂ emissions from the travel agency.

3.2.6.4 Materiality assessment Category 6

Business travel is typically a relatively minimal Scope 3 emissions source for producing companies. However, for a service company that does not purchase large quantities of products category 6 can be material. Typically, will the category be more material for companies that have a high frequency of air travel. The category includes all kind of business travel, but if a company seldom travels by air, and incentivize employees to take the train or other greener alternative for travels the category will be less material.

3.2.6.5 Case study

Company C has a travel agency company that all employees use to book business-related travel. Each year company C receives a report that includes emissions connected to different flight distances, rental cars, and hotel stays. The accounting department is also able to gather information about mileage allowance. The company decides the category to be material, as they have control over the emissions and see opportunities to reduce the emissions from this category.

3.2.7 Employee commuting

3.2.7.1 General - From the Industry:

Definition for “Employee commuting” - Employee commuting includes emissions from the transportation of employees between their homes and their worksites. This applies also to personnel

who are employed to work permanently offshore and who go on fixed rotations offshore according to a work schedule with time-off.

Information about where to find the distance to be used in the calculation is e.g., from the travel agency or from the company’s ERP system.

CO₂ factor can be found in <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>

Example, Alt 1: A person commutes by airplane to a city to heliport. This can be calculated as the distance by plane multiplied by a CO₂ factor for the airplane, depending on if the distance is domestic, intercontinental or continental.

Example, Alt 2: A person commutes without a vehicle or airplane. This can be calculated as the distance by your main travel method multiplied by a CO₂ factor for the transport you use. You can see an example of a survey in the attachment below.

Alt 1: Employees x factor based on location	Need to find source
Alt 2: Survey method	
Alt 3: Home to workplace per employee (offshore)	Air travel: Need to segregate business from commuting travel

3.2.7.2 Materiality Assessment Category 7

Employee commuting is normally not the most material category. However, if the supplier is not buying any products or raw materials, and there are almost no other Scope 3 categories that are relevant this can still be a relative important category to map. For maintenance company; transport employees to different platforms by using helicopters the emissions could be a relevant measure to include. (Note: Client reporting, Mark not to include in contractors reporting - only to "gate")

3.2.7.3 Case Study

Company B conducts a high-level screening of employee commuting for all business departments. Company B estimates employee commuting to be 100 employees that travel 50 kilometers 100 days per year. The estimated emissions are 800 tCO₂e when a conservative estimation is conducted where the total distance is multiplied by an emission factor for diesel cars. For company B this leads to 5% of total emissions. However, company B has the main office in the city where employees do travel by bike and other public transportation methods. The actual emissions are therefore considered less than 800 tCO₂, and Company A, therefore, sees the category as less important to focus on to start reporting on Scope 3.

4 Laws and regulations

4.1 EU laws and work in progress

A European Green Deal – striving to be the first climate-neutral continent.

Climate change and environmental degradation are an existential threat to Europe and the world. To overcome these challenges, the European Green Deal will transform the EU into a modern, resource-efficient and competitive economy, ensuring:

- No net emissions of greenhouse gases by 2050
- Economic growth decoupled from resource use
- No person and no place left behind

The European Green Deal is also our lifeline out of the COVID-19 pandemic. **One third of the €1.8 trillion** investments from the NextGenerationEU Recovery Plan, and the EU's seven-year budget will finance the European Green Deal.

The European Commission has adopted a set of proposals to make the EU's climate, energy, transport and taxation **policies fit for reducing net greenhouse gas emissions by at least 55% by 2030**, compared to 1990 levels.

Climate change is the biggest challenge of our times. And it is an opportunity to build a new economic model. The European Green Deal set the blueprint for this transformational change.

This will create new opportunities for innovation, investments and jobs, as well as:

- Reduce emissions
- Create jobs and growth
- Address energy poverty
- Reduce external energy dependency
- Improve our health and wellbeing

At the same time, it will ensure there are opportunities for everyone, supporting vulnerable citizens by tackling inequality and energy poverty, and strengthening the competitiveness of European companies.³

³ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en#documents

July 2021

DELIVERING THE EUROPEAN GREEN DEAL

THE DECISIVE DECADE

The EU will **reduce its net greenhouse gas emissions by at least 55% by 2030**, compared to 1990 levels, as agreed in the EU Climate Law. On 14 July 2021, the Commission presented proposals to deliver these targets and make the European Green Deal a reality.

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Source: European Union

The Norwegian Government's perspectives and contributions for "A European Green Deal",
<https://www.regjeringen.no/contentassets/38453d5f5f5d42779aaa3059b200a25f/a-european-green-deal-norwegian-perspectives-and-contributions-20.04.2021.pdf>

4.2 Corporate sustainability reporting directive

On 5 January 2023 the Corporate Sustainability Reporting Directive (CSRD)⁴ entered into force. This new directive modernises and strengthens the rules about the social and environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability – approximately 50 000 companies in total.

⁴ https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

The new rules will ensure that investors and other stakeholders have access to the information they need to assess investment risks arising from climate change and other sustainability issues. They will also create a culture of transparency about the impact of companies on people and the environment. Finally, reporting costs will be reduced for companies over the medium to long term by harmonising the information to be provided.

The first companies will have to apply the new rules for the first time in financial year 2024, for reports published in 2025.

Companies subject to the CSRD will have to report according to European Sustainability Reporting Standards (ESRS). The draft standards are developed by the [EFRAG](#), previously known as the European Financial Reporting Advisory Group, an independent body gathering various stakeholders. The standards will be tailored to EU policies, while building on and contributing to international standardisation initiatives. The Commission should adopt the first set of standards by mid-2023, based on the [draft standards published by EFRAG](#) in November 2022.

The CSRD also makes it mandatory for companies to have an audit of the sustainability information that they report. In addition, it provides for the digitalisation of sustainability information.

4.3 Directive on corporate sustainability due diligence

On 23 February 2022, the Commission adopted a proposal for a Directive on corporate sustainability due diligence. The aim of this Directive is to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance. The new rules will ensure that businesses address adverse impacts of their actions, including in their value chains inside and outside Europe.⁵

<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52022PC0071&from=EN>

<https://www.nho.no/tema/barekraftig-utvikling/artikler/csrd---eu-nye-regler-for-rapportering-om-barekraft/>

⁵ https://ec.europa.eu/info/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en

5 References

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- Standardisering – ISO 14000-serien
- VISMA og SAP, ERP systemer
- Offshore Norge
- [GHG Protocol – Calculation Tools](#)
- [GHG Protocol – Scope 3 Calculation Guidance](#)
- [GHG Protocol – Category 2: Capital Goods – Category description](#)
- [GHG Protocol – Category 5: Waste Generated in Operations.](#)
- [GOV.UK – Greenhouse gas reporting: conversion factors 2021](#)
- [Miljødirektoratet – Tabeller for omregning fra energivare til utslipp](#)
- [Miljødirektoratet – Tabell for omregning til CO₂-ekvivalenter](#)
- [SBTi](#)

Annexes

ANNEX 1 Further Categories in Scope 3 and Materiality Assessment

Category 3 - Fuel-and energy-related activities (not included in Scope 1 and Scope 2)

The category fuel- and energy related-activities is an important category for most of the suppliers to E&P companies as with the other upstream activities. Scope 2, being energy-intensive and energy-purchasing companies, this category will be relevant. Examples of companies could be service companies that use a lot of fuel-driven transportation assets, such as helicopter support and vessels. Note that this category includes the upstream emissions from Scope 1 and Scope 2.

Case study

Company C operates as a “suppliers and system supplier” as referred to in this document. The company uses different equipment to clean and repair, and transports resources to its customers offshore. Company C has relatively high emissions in Scope 1 and Scope 2 compared to a company that do not own any assets expects an office. Company C maps all emissions in Scope 1 and Scope 2 with correlating WTT and upstream emission factors and establish that this category leads to a relatively high emissions compared to other scope 3 categories. Company C therefore decides to report on this category, as it is also easy to establish incentives to reduce emissions in this category.

Category 8 - Upstream leased assets

This category is only material for companies that possess high-emitting assets, and the use of them is not already in Scope 1 and Scope 2. If a supplier leases vessels and has not accounted for it in Scope 1 these emissions should be included in this category.

Case study

Company C identifies that they have one leased asset. The leased asset does not use a lot of fuel, and fuel is only purchased once a year. The emissions are estimated to be only 5% of current Scope 3 emissions and is excluded from their carbon footprint accounting.

Category 9 - Downstream transportation and distribution

The category downstream transportation and distribution reflects outbound transportation and distribution of products. Note that this category only includes transportation to customers that is not paid by the reporting company. The category is considered material for companies that provide a high volume of products to customers where the customers choose the transportation method. The emission in this category is typically estimated and calculated by the tonnkilometers, as it is less common to be able to obtain data from customers' carriers.

Category 10 - Processing of sold products

The type of product and the amount of products are both relevant when considering the materiality of this category. If a company does not sell any intermediate products that need further processing, this category is not material.

Category 11 - Use of sold products

Relevant, but not the most material for most suppliers to E&P companies. However, some equipment or installations sold may use a relatively high amount of energy, this being cooling equipment, fans, valves and compressors. If a reporting company sells a high volume of energy intensive products, this category may be considered material.

Category 12 - End-of-life treatment of sold products

This category is typically more material to companies that produce large quantities of products or raw materials, such as plastics that are disposed of via incineration. Some companies that produce products will estimate emissions in this category based on stakeholder/customer interest and regulatory incentives focused on disposal products, such as chemicals. This category will also be material for companies that sell products in regions that require the reuse or recycling of rigid plastic packaging containers and motor oil due to the potentially significant disposal-related environmental impacts, including high levels of GHG emissions associated with product incineration.

Category 13 - Downstream leased assets

Companies that operate as lessors should consider if this category could be material. This category would only be material if the leased assets lead to a relatively large amount of Scope 1 and/or Scope 2 emissions by the lessees. This category is for most of the companies applying this guideline not material. However, for the few companies that lease equipment such as pumps, inspection equipment and compressors, the assessment will then be to consider which assets the lessees use that lead to a high amount of energy use (and consequently emissions), such as compressors.

Category 14 - Franchise

Franchise is not a material category for most suppliers to the oil and gas sector.

Category 15 - Investment

Investment emissions are potentially material for those companies with significant investments and joint ventures that are not captured in the Scope 1 and 2 inventory. Other investments not covered in Scope 1 and Scope 2 could also be material, but it depends on the nature and size of the investment. Examples could be suppliers to the oil and gas sector that have ownership, and no operational control, in vessels or other high-emitting assets.

ANNEX 2 Science based Targets Initiativ

SBTi drives ambitious climate action in the private sector by enabling organizations to set science backed emission reduction targets. The framework shows organizations how much and how quickly they need to reduce their emissions (GHG) to align with the Paris Agreement goals. There are 14 different sector-specific guidances e.g. cement, chemicals oil and gas, power, aluminum. Companies start the process by signing a commitment letter to 2 approaches, either a sectoral decarbonizing approach (SDA) or the general absolute contraction approach (used by 4 out of 5 companies). There is a 2-year period to consolidate the baseline GHG emissions (Scope 1 & 2, or also Scope 3), establish the targets and then contact SBTi for validation of the targets.

Companies will be able to publish and declare that they are committed to the SBTi. Once the targets are validated, they can publicly announce the targets to stakeholders, disclose the company wide emissions and track targets progression annually. There is a requirement to review the baseline and revalidate the targets if there are significant changes to the organization or at 5 year intervals.