



PROFESSIONAL SERVICE PROVIDERS

CONSULTATION ON DRAFT GUIDING PRINCIPLES FOR SERVICED EMISSIONS

DRAFT WORKING PAPER

How emissions associated with the provision of services could be better understood, mapped and reduced

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Oxford Net Zero is an interdisciplinary research initiative based on the University of Oxford's fifteen years of research on climate neutrality. Our research fellows are working to track progress, align standards and inform effective solutions in climate science, law, policy, economics, clean energy, transport, land and food systems and Carbon Dioxide Removal.



Race to Zero is a global campaign to rally leadership and support from businesses, cities, regions, investors for a healthy, resilient, zero carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth. All members are committed to the same overarching goal: achieving net zero emissions by 2050 at the very latest.

INTRODUCTION

Reaching net zero emissions no later than 2050 requires a rigorous ‘all of economy, all of society approach’. Governments and non-state actors must act rapidly to set and deliver commitments to halve emissions, build resilience and end nature loss by 2030. The recent Global Stocktake report underscores the need for greater urgency, scaled-up implementation and stronger collaborations. This also requires us to continue to innovate, advance new frontiers of leadership, plan for the transition ahead and pivot business models.

As part of its commitment to advancing frontiers of net zero leadership, Race to Zero and its Expert Peer Review Group convened a Working Group on the role of Professional Service Providers from June 2023 onwards. The Working Group was co-chaired by experts from the University of Oxford and included representatives from Legal Charter 1.5, ClientEarth, Planet Mark, Climate Action for Associations, Pledge To Net Zero, Exponential Roadmap Initiative and Purpose Disruptors. Input to these draft principles was gathered during the Oxford Net Zero consultancy roundtables in September 2023.

This group developed a discussion paper for consultation on opportunities for aligning the provision of services and advice by Professional Service Providers - such as consultancy, legal and advertising providers - with net zero/1.5C, and to explore emerging best practice. This does not include financial service providers where there is work ongoing.

This work builds on the EPRG’s [interpretation guide](#) which provides additional guidance for the Race to Zero criteria - including reference to emissions associated with the provision of services. This also relates to Race to Zero’s existing Proceed and Persuade criteria^{1,2} - and corresponds to the need to align influence beyond that included within your own carbon footprint, to consider the holistic impact of influence across the industry and advocating for changing outside your own value chain.

1 Proceed leadership criteria includes: “Empower those in your ecosystem to implement Race to Zero plans, including through financing, capacity building, knowledge sharing and access to resources.

2 Persuade: “within 12 months of joining, align external policy and engagement, including membership associations, to the goal of halving emissions by 2030 and reaching global net zero by 2050” (starting line criteria). “Proactively advocate for your peers, stakeholders and governments to align their goals and actions to 1.5C. Demonstrate how the implementation of your own ambitious targets creates opportunities for others to follow.” (leadership criteria).

WHY PROFESSIONAL SERVICE PROVIDERS

The Working Group recognised Professional Service Providers (PSPs)³ can play a significant role as force multipliers and influence exponential change in the “real economy”. By embedding net zero outcomes across their work, PSPs can enable behaviour change and support clients in maximising the opportunities of a fair and just transition, increase their resilience to climate risks, and plan for a net zero, just, resilient future. The Working Group also discussed that such an approach would better enable PSPs to meet existing obligations such as - the UN Guiding Principles on Business and Human Rights (**UNGPs**), and support delivery of the Sustainable Development Goals.

In many cases, the potential impact of this could go far beyond that of commitments to reduce these firms’ own emissions across all three scopes. Indeed, the most significant GHG emissions associated with PSPs are likely to be their emissions associated with the provision of service - or - **serviced emissions**⁴ - that is, those associated with and, in some cases, resulting from their provision of services across projects and client work, particularly through working in high emitting sectors.

While the idea of serviced emissions is not yet well established within real-economy greenhouse gas accounting principles⁵ nor in voluntary climate initiatives, it is an area of increased interest as service-provision nearly always has at least some effect on the climate, and potentially can have a large effect . For example, Purpose Disruptors are working to catalyse the advertising industry’s climate transition including identifying the emissions associated with advertising in the UK - estimated to be 208 million tonnes of CO2 emissions in 2022. [The Law Society](#) of England and Wales has developed guidance for its members specifically including a section on advised emissions. Exponential Roadmap Initiative - a Race to Zero Partner - recently produced a [climate solutions framework](#) as guidance for PSPs.

3 The IPCC has recognised that “middle actors – professionals, experts, and regulators – play a crucial, albeit underestimated and underutilised, role in establishing low-carbon standards and practices” - IPCC AR6 WGIII Technical Summary, p.121: [IPCC AR6 WGIII TechnicalSummary.pdf](#).

4 Serviced emissions, advertised emissions, advised emissions, scope 4, scope X emissions were suggested as ways to describe such emissions - for consistency, the working group agreed to utilise the terminology already included within the Race to Zero EPRG Interpretation Guide.

5 For example, the Greenhouse Gas Protocol’s Scope 3 guidance or SBTi’s Corporate Net Zero Standard. There is growing measuring and accountability guidance of indirect emissions, such as through the movement to mainstream financed emissions or advertised emissions.

'SERVICED EMISSIONS' AND SCOPE 3

Existing greenhouse gas accounting principles do not always adequately capture 'serviced emissions'⁶. Current best practice guidance and reporting frameworks from the Greenhouse Gas Protocol, the CDP and SBTi acknowledge the role of service providers, but often do not make the operational boundaries clear in terms of how much the GHG emissions of clients should be inventoried under the PSP. In practice, service providers have significant discretion under existing practice to draw the inventories of their boundaries in more or less ambitious ways. In this landscape, leadership to acknowledge the impact of advice and facilitating emissions is important.

CONSULTATION

In order to take forward this important conversation, the Working Group developed a series of draft guiding principles, based on existing best practice, which could be embedded into the services provided by PSPs across a wide range of projects and client-work (where permitted). The Race to Zero Expert Peer Review Group is launching an engagement process and consultation at COP28 to further explore the question of PSP leadership and seek feedback on these principles. This consultation will take place over the first months of 2024.

The Working Group agreed that while establishing more complete, clear, ambitious, and usable methodology/ies for measuring, monitoring and reporting on serviced emissions would also be a positive development, it was agreed this was not in scope of consideration and best taken forward, or integrated with either existing standard bodies or sectoral initiatives.

⁶ The Greenhouse Gas Protocol, the international standard for corporate accounting and reporting emissions, includes language around services as Scope 3 "indirect GHG emissions". It also includes short guidance on the 'identification and quantification of relevant secondary effects', i.e., the 'small, unintended GHG consequences of a project'. However, this does not adequately address areas of work where relevant secondary effects are apparent from the outset, i.e., servicing a client to facilitate a high-emissions project. It also does not capture how much of the unintended GHG consequences of a project should be inventoried by the PSP. GHGP does not indicate or capture the impact of advice under Scope 3 emissions guidance for service sector organisations. SBTi, which defines and promotes best practice in science-based target setting, directs professional services firms to review guidance on different sectors when setting pathways, rather than include guidance for PSPs and their influence. Additionally, SBTi does not currently validate targets for companies that derive 50% more of their revenue from the sale, transmission and distribution of fossil fuels, or by providing equipment or services to fossil fuel companies. CDP, the global disclosure system, which provides guidance on reporting, does not include any category on influence or advice in their Scope 3 reporting guidance.

DRAFT PRINCIPLES

These principles were developed to consider how emissions associated with the provision of services could be better understood, mapped and reduced as part of a holistic climate approach mainstreamed across all aspects of PSPs and to inform a conversation. PSPs are also encouraged to commit to net zero across their direct and indirect emissions - to join Race to Zero through a Partner initiative and to take action in line with the campaign's criteria.

STRATEGY

Develop a strategy to understand and reduce your serviced emissions as part of your commitment to net-zero/1.5C and embed this in your business model.

- Map clients, services and projects to create an inventory of existing serviced emissions. Publish this inventory alongside your conventional greenhouse gas reporting. Update this inventory as methods for measuring serviced emissions are refined.
- Set targets for reducing serviced emissions, including an aspirational goal of reaching net zero serviced emissions before 2050, as part of a global just transition.
- Identify sectoral decarbonisation [and resilience] solutions and pathways relevant to your clients and portfolio of projects (for example Breakthrough Agenda, SBTi, NZAOA sectoral pathways or others) and embed these across your services.
- Understand which sectors and services you provide have the largest opportunities to impact or affect the transition to net zero.
- Identify and assess clients' progress towards transitioning to a 1.5C aligned economy.
- Plan for the decline of, or transition in, in high carbon sectors as part of the global net zero transition.

DUE DILIGENCE AND RISK

Integrate Climate Considerations into due diligence for new and existing clients, projects and services^{7 8}

- Embed climate considerations into risk and due diligence processes⁹ for new clients and projects across your business, and as part of ongoing assessments in line with your established procedures. This could include:
 - During client and project screening and acceptance.
 - As client / project work progresses and its (potential) alignment with net zero transition becomes clearer?
 - Developing training and capacity building for all staff on climate and sustainability due diligence and risk assessments.
 - Identify the emissions reductions opportunities that could be realised within the provision of the service or advice.
 - Define a risk management strategy including risk appetite for your organisation related to serviced emissions.
 - Establish escalation procedures and protocols for scenarios where service engagements are not contributing to the broader 1.5°C-aligned transition goals. These procedures should outline a clear course of action, including the reinforcement of engagement approaches and, if necessary, the strategic reassessment of client relations and guidelines for when this should be considered.

ONGOING ENGAGEMENT

Proactively embed climate opportunities and risks into your services and projects.

- Seek opportunities to engage clients on climate/sustainability even when this is not the primary scope of activity - such as when advising on business development strategies, policy engagements, management services, organisational design and reform, and through thought leadership and knowledge development activities
- Support clients to align their stakeholder engagement, including political lobbying, activities with positive climate action.

⁷ Due diligence and risk assessment does not necessarily mean choosing not to engage with high emitting clients and projects - it is about considering the potential impact of those clients/projects on your serviced emissions, the opportunity to support a global transition to net zero through those projects or clients, and your capacity to influence action.

⁸ For example by following Exponential Roadmap Initiative's guidance for PSPs

⁹ This may involve assessing potential clients' Transition Plan[s], any public net zero targets, any TCFD or similar reporting. It may also be extended to wider issues such as performance against relevant SDGs, evidence of just transition practice, comparable performance against competitors in the same sector or in the jurisdictions in which they operate.

GOVERNANCE

Develop robust governance systems within the PSP to uphold commitments to 1.5C, in regard to both your own company's emissions and your serviced emissions.

- Appoint a leader, or leadership group (as appropriate for the PSP's governance structure) with board level oversight who can provide (or have access to) strong knowledge on climate risks, impacts and opportunities and can embed this into actions and strategies.
- Ensure that your net zero commitments and transition plan are fully incorporated into the organisation's core governance structures, e.g. through clear oversight, accountability and KPI structures at a Board / Board sub-committee level.
- Consider aligning incentive structures with climate targets, including bonuses, share and commission schemes.
- Create internal rewards for emissions reductions projects across an employee's work, or include sustainability as part of people's performance reviews.
- Invest in high-quality training on climate issues, so that staff are sufficiently aware of the potential climate impact of their client work and the climate risks in the sector they and their clients operate, or at the very least have access to training resources.
- Provide sufficient resources to effectively implement your climate goals.
- Turn to association networks as the bodies to train and develop the professionals working in firms that are responsible for the influenced work and whether they deliver mandatory qualification/training or informal CPD. Membership organisations/ representative bodies should communicate best practice across industry and provide the content and support to back it.

MEASURE IMPACT AND REPORT ON PROGRESS

Track the outcome and impact of your engagement on services emissions.

- Establish approaches across the organisation and value chain to track progress and regularly report against metrics that demonstrate progress in addressing serviced emissions.^{10, 11} Where possible, engage independent verification and/or reporting support to ensure your reporting is transparent and honest.
- Develop OKRs, KPIs, or other performance indicators for serviced emissions, alongside overarching targets.

¹⁰ "An entity shall disclose information about the governance, engagement, business and operational metrics and targets that it uses in order to drive and monitor progress towards the Strategic Ambition of its transition plan, and report against these metrics and targets on at least an annual basis."

¹¹ E.g., if you plan to engage with high-emitting clients to encourage them to transition, consider disclosing appropriate metrics to demonstrate the number and nature of your engagements with clients and their impact (subject to client confidentiality considerations).

- Integrate serviced emissions impacts into your post project/service reviews.
- Report your progress on transition to net zero transparently, being honest about the evolving narrative that will emerge with the benefits and learning offered by better data over time.
- Undertake learning and share best practice across your organisation

SYSTEM CHANGES

Advocate for regulatory changes to support accelerated transition

- Advocate for regulatory and policy changes where you can see these are inhibiting your sector and/or your clients from achieving 1.5 alignment, in line with Race to Zero's [5th P \(Persuade\)](#)
 - Use influence within and through industry associations (including collaborative efforts) to advocate for positive change
 - Draw on support and expertise from and share knowledge within industry associations.
 - Address any association memberships or views not supporting the net zero transition.
 - Encourage peers to engage with their climate impact.
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NEXT STEPS

- This draft document and guiding principles will launch at COP28 for consultation commencing in early 2024 - with the aim to publish a final version before COP29. More information will be shared about this process on the Race to Zero website but our intention is for a written consultation and virtual convenings. .
- The aim is to encourage a constructive dialogue on serviced emissions and the role of Professional Service Providers (non finance providers).

ANNEX A

WORKING GROUP

Co-Chairs: Alexis McGivern and Ranjita Rajan.

Alexis McGivern is the Net Zero Integrity Manager at Oxford Net Zero. She has a rich academic and professional background that includes being a Pershing Square Scholar at the University of Oxford. Additionally, Alexis has been at the forefront of numerous climate initiatives, such as the Global Youth Climate Training Programme and the 26,000 Climate Conversations initiative.

Ranjita Rajan is an influential voice in the field of sustainability, inclusion, and net-zero transitions. With experience spanning various continents and roles, Ranjita chairs Oxford Global Partnership and serves as a Business Fellow at Oxford University's Smith School of Enterprise and the Environment.

Facilitators: Tessa Ferry, Race to Zero Lead & Saurabh Jain, EPRG Manager

ORGANISATIONS:

NAME	DESCRIPTION
<u>Oxford Net Zero Initiative</u>	Oxford Net Zero is an interdisciplinary research initiative based on the University of Oxford's fifteen years of research on climate neutrality. Our research fellows are working to track progress, align standards and inform effective solutions in climate science, law, policy, economics, clean energy, transport, land and food systems and Carbon Dioxide Removal.
<u>Legal Charter 1.5</u>	Legal Charter 1.5 serves as a groundbreaking framework established to galvanise law firms into meaningful action against the climate crisis.
<u>ClientEarth</u>	ClientEarth is a non-profit organisation that uses the law to create systemic change that protects the Earth for – and with – its inhabitants. It tackles climate change, protects nature and stops pollution, with partners and citizens around the globe. From our offices in Europe, Asia and the USA we help build a future for our planet in which people and nature can thrive together.
<u>Planet Mark</u>	Planet Mark is recognised for its international sustainability certification program, rewarding businesses, properties, and projects dedicated to consistent carbon emission reductions.
<u>Climate Action for Associations</u>	CAFA embodies a powerful coalition of associations united to address the global climate emergency with urgency and collaborative force. CAFA provides the information, guidance and certified solutions that membership organisations need to reduce emissions internally and to support their business and individual members to accelerate sectoral change.
<u>Pledge To Net Zero</u>	Global initiative that rallies the environmental industry to confront climate change head-on by mandating science-based targets for greenhouse gas emission reduction within their operations.
<u>Exponential Roadmap Initiative</u>	The Exponential Roadmap Initiative brings together innovators, disruptors and transformers taking action in line with 1.5°C. Our purpose is to accelerate exponential climate action and solutions through groundbreaking projects, with the mission to halve emissions before 2030.
<u>Purpose Disruptors</u>	Purpose Disruptors is a collective within the advertising industry, challenging and redirecting its vast creative potential towards promoting sustainable behaviours and societal transformation.

CONTACT FOR FEEDBACK:

Alexis McGivern, Oxford-Net Zero: alexis.mcgivern@ouce.ox.ac.uk

Saurabh Jain, RacetoZero Team: saurabhjain@climatechampions.team

