

GreenGov – October 7, 2010

The Greening of American Procurement
Transnational Perspective

PwC S&CC background and experience

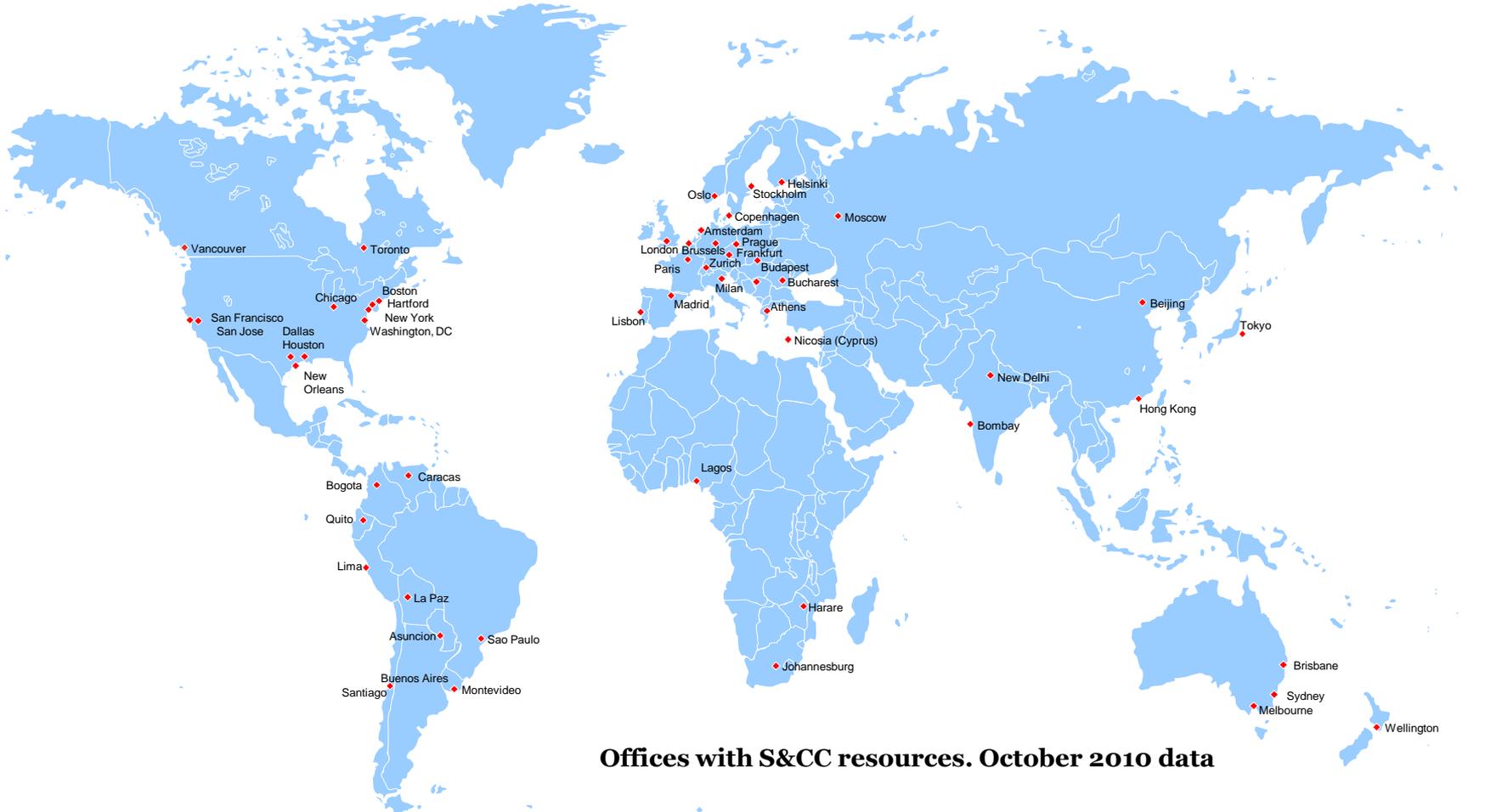
PwC Global Sustainability & Climate Change practice provides services to clients locally, regionally and globally

Strategy

Supply Chain – Risk
& Performance

Reporting,
Pre-assurance
& Assurance

Sustainable Finance
– Tax



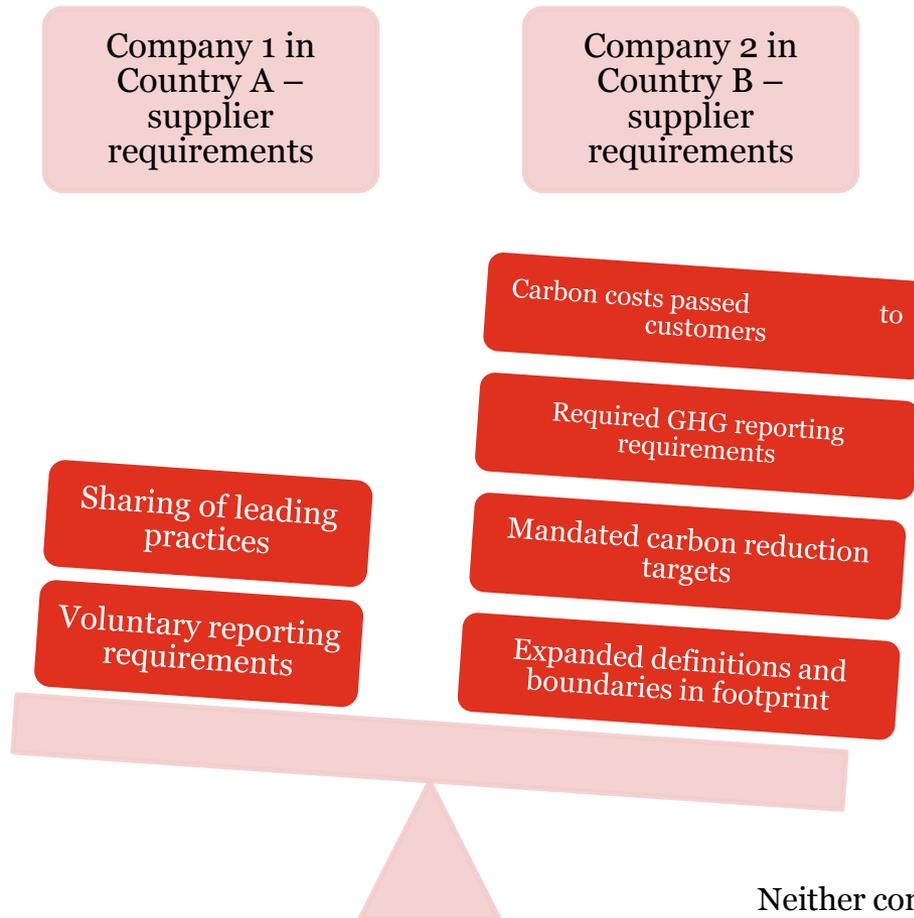
Offices with S&CC resources. October 2010 data

Agend

- Introduction – PwC
- Cooperation and concerns PwC is seeing in the marketplace
 - Common carbon accounting – Scope 3, Product Life Cycle Standard
 - ✓ **Consistency**
 - Common information requests – CDP Supply Chain Initiative
 - ✓ **Consistency**
 - Common expectations – EO 13514, Walmart
 - ✓ **Consistency**
 - Common co-operation – Sustainability Consortium, CCWG
 - ✓ **Consistency**
 - Common barriers – lack of understanding/labeling/truth in advertising
 - **Inconsistency**
- Success ingredients

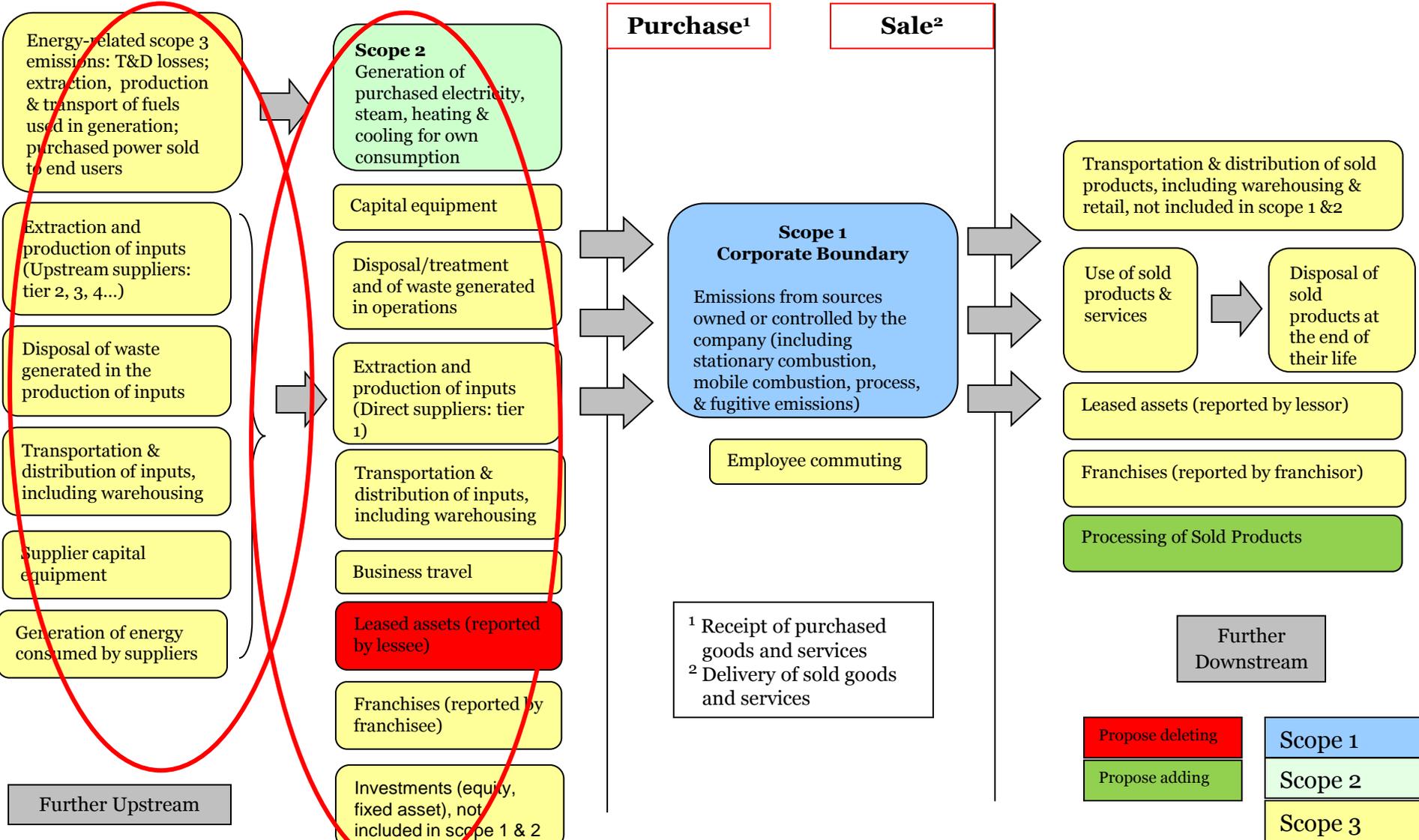
It is important to level the playing field

Fair competition, where no advantage is shown to either side.



Neither companies' expectations are right or wrong, but differing expectations lead to an uneven playing field.

Common carbon accounting: WRI/WBCSD Scope 3 suppliers



Purchase¹

Sale²

**Scope 1
Corporate Boundary**
Emissions from sources owned or controlled by the company (including stationary combustion, mobile combustion, process, & fugitive emissions)

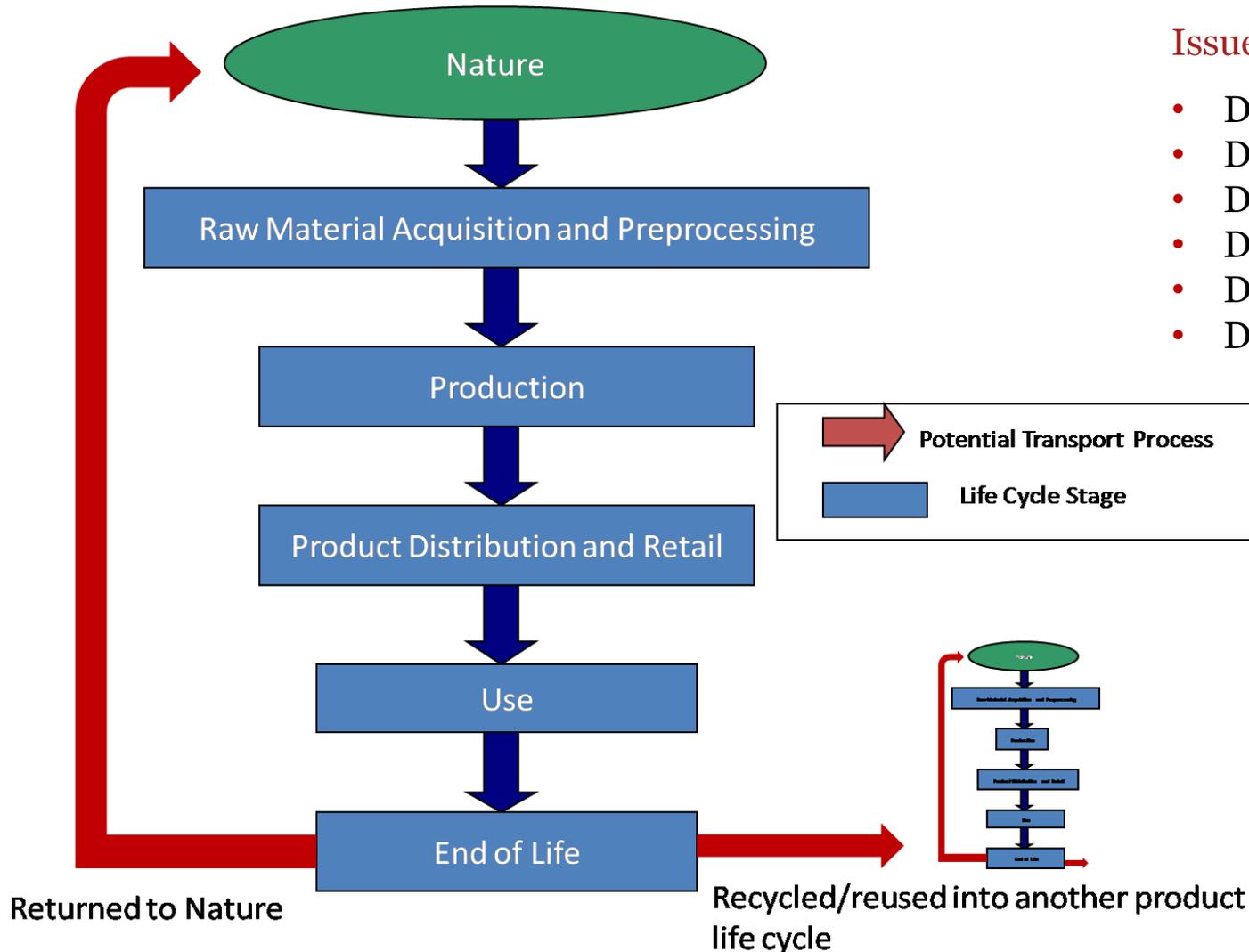
¹ Receipt of purchased goods and services
² Delivery of sold goods and services

Propose deleting
Propose adding

Scope 1
Scope 2
Scope 3

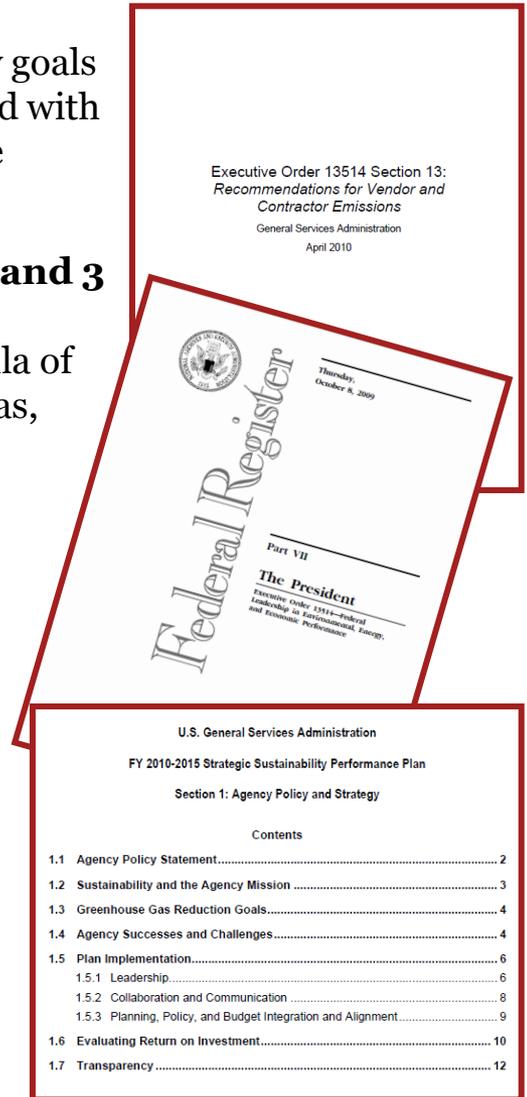
Further Downstream

Common carbon accounting: WRI/WBCSD Product Life Cycle



Common expectations: Executive Order 13514 and Section 13

- Implementation of E.O. 13514 requires agencies to integrate sustainability goals with their mission and strategic planning practices. Each agency is charged with developing a Strategic Sustainability Performance Plan that prioritizes the agency's actions toward the Executive Order goals
- Calls for tracking, reporting and setting reduction targets for **scopes 1, 2 and 3**
- In addition to this performance plan, agencies will work under the umbrella of environmental stewardship and sustainability to meet goals in related areas, including the following:
 - **Greenhouse gas emissions (Scopes 1, 2 and 3, including tracking, reporting and emission reduction goals);**
 - Energy efficiency;
 - Water efficiency;
 - Pollution prevention and waste elimination;
 - Regional and local planning;
 - Sustainable federal buildings;
 - Sustainable acquisition;
 - Electronics stewardship; and,
 - Environmental management.
- While all US Federal Agencies are subject to E.O. 13514 certain agencies (e.g. CEQ, DoE, GSA, OMB) have specific implementation requirements



Common expectations: Walmart's sustainability commitment

Initially internally focused, but expanding to packaging, supplier operations, reporting and goal setting

Oct 2005

Core Goals

- Be supplied by 100% renewable energy
- Have zero waste
- Sell products that sustain resources and the environment

Feb 2008

Packaging Scoreboard

- Gather information on suppliers' product packaging
- Reduce global packaging 5% by 2013
- Be 'packaging neutral' globally by 2025: packaging recovered/recycled at stores = the amount used by products on shelves

Dec 2008

Supplier Energy Efficiency Project

- Energy efficiency audits/retrofits of participating supplier facilities
- Reduced more than 3,300 metric tons of GHG emissions and saved \$200,000 in energy costs

July 2009

Sustainability Product Index

- Supplier sustainability survey
- Lifecycle Analysis Database
- Ratings system to enable customers to make choices and consume in a more sustainable way

Feb 2010

- ### **Supplier GHG Innovation Program**
- Plan to eliminate 20 million metric tons of GHG emissions from its global supply chain by 2015
 - Requesting suppliers reduce the carbon impact on the products

Common information requests: Carbon Disclosure Project

- CDP is a not-for-profit organization based in the U.K. that sets the standard for carbon disclosure and contains the largest database on climate change information in the world
- CDP Investor Request 2010 issued on behalf of 534 institutional investors with over \$USD 64 trillion under management
- CDP seeks information on business risks/opportunities presented by CC & GHG emissions data from the world's largest public companies
- CDP is about quality of disclosure, not whether answer is right/wrong
- Supplier Survey includes Investor Survey questions plus additional questions on allocation, supplier management & product/services life

2010 CDP data

20

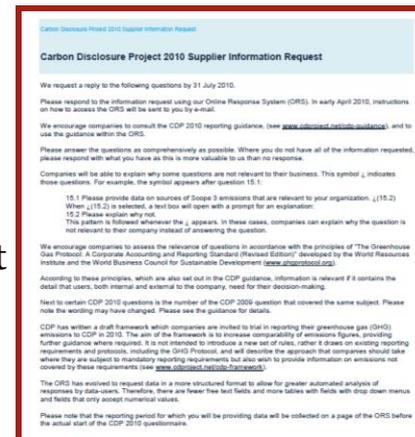
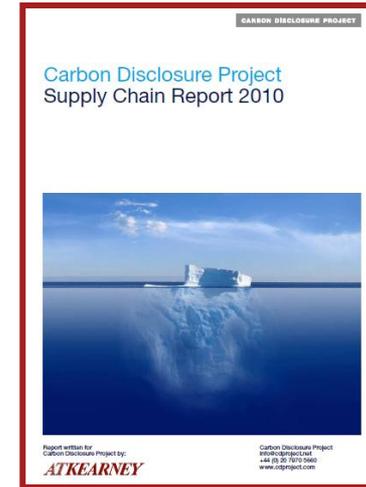
56

70%

82%

534

\$64 trillion

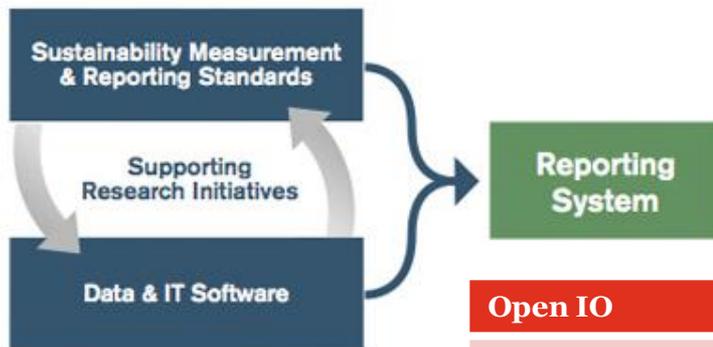


Common co-operation: Sustainability Consortium

Sustainability Measurement & Reporting Standards

The Sustainability Consortium

- Develops transparent methodologies, tools and strategies to drive a new generation of products and supply networks that address environmental, social and economic imperatives.
- Advocates for a scientifically grounded process and transparent system, not for individuals or organizations.
- Development of Sustainability Measurements & Reporting Standards (SMRS) using a sector approach that aggregates environmental and social impacts into meaningful metrics:



Description:

Scientifically grounded and transparent processes and data for quantifying social and environmental sustainability.

End Product:

- An agreed upon set of category specific impact areas to be reported
- Rules & standards on what data to collect, how to collect it, & how it should be reported
- Research to improve data quality & availability, & create new methods & processes as needed
- Method for prioritizing impacts that can provide greatest opportunity for improvement & can have progress measured against possible trade-off's
- SMRS & System Group ID issues & opportunities to drive positive social, economic & environmental change

Open IO

An Input / Output based life cycle inventory database that provides a free, comprehensive, transparent, & continually improving resource for product sustainability information & analysis for both corporate decision makers and academic researchers.

Will provide information on major impact categories - GHG, Water use, Toxics, Criteria Pollutants

A core element to ongoing or future extension projects, including the Industry Average Database Framework, the Global Open IO model and others.

Common co-operation: BSR CCWG

- Business for Social Responsibility Clean Cargo Working Group
- Business-to-business initiative
- Creating practical tools for measuring and reducing the environmental impact of global goods transportation
- Enabling direct dialogue between brands & transportation providers
- Members are:
 - 14 of world's largest ocean carriers and freight forwarders
 - 14 of world's largest multinational brands across a range of industries
 - Members represent 60% of global container transport



Source: http://www.bsr.org/consulting/working-groups/CCWG_Overview_2010.pdf

Carrier Performance Metrics:*

- Standardized set of metrics for assessing ocean carriers' environmental performance
- "Scorecard" for quantifying performance

Carrier Environmental Performance Survey:

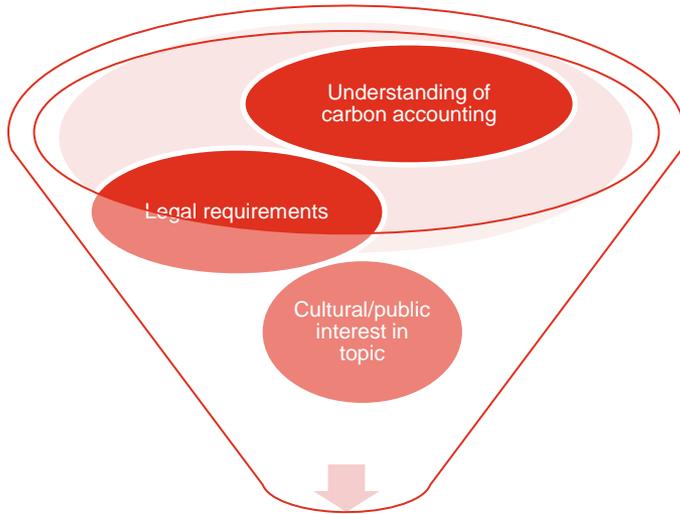
- Gathers qualitative information on carriers' environmental management and performance
- Carriers submit metrics data and survey annually

Key areas of performance assessment:

- CO₂ emissions
- SO_x emissions
- NO_x emissions
- Waste management
- Water effluents
- Chemical use
- Environmental Management Systems
- Vessel Recycling
- Transparency

Common barriers: lack of understanding / consistency

Not all companies in all countries place the same importance on the carbon accounting and reporting of carbon emissions



Different interpretations may lead to different requirements precluding a level playing field

Potential corporate barriers...some companies...

- ...are not energy or carbon intensive
- ...may not have carbon accounting expertise
- ...may be most focused on economic survival
- ...may not want to disclose Confidential Business Information
- ...maybe looking to derive value from carbon

Potential national barriers....some countries...

- ...are focused on economic crisis
- ... are focused on development
- ... may have different expectations for public reporting
- ... are focused on other environmental or social issues
- ... are not willing to step away from potential competitive advantages

Common barriers: – labeling and truth-in-advertising?

Not all companies in all countries place the same importance on the carbon accounting and reporting of carbon emissions



Carbon Labeling and “green-washing”

- Carbon label intended to provide a product with a visible representation of the quantity of carbon emissions generated by the creation of that product and delivering it to consumers
 - Food travels average of 1,500-2,000 miles to consumers, so promote “localvores”?
- Concerns about sustainability claims – truth in advertising?



Carbon emissions as a non-trade barrier?

- Some concern over carbon labeling within the global economy
 - Merely to raise environmental consciousness?
 - Ulterior motives to inhibit international trade?
 - Further the interests of the countries imposing the labels?
 - ‘Non-product-related processes and production methods’ (NPR-PPMs) refers to carbon emissions associated with a product’s production or transport that are indiscernible in the final product

Success factors –

Consistency ...

- Common accounting
- Common expectations
- Common cooperation
- Common information requests
- Common approach to potential barriers to entry

Consistent with the five carbon accounting principles:

- Relevance
- Completeness
- Accuracy
- Consistency
- Transparency

PwC Sustainability & Climate Change

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