

Public sector Scope 3 emissions

Y Pwyllgor Deisebau | 10 Hydref 2022
Petitions Committee | 10 October 2022

Reference: SR22/3596

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Petition title: Make Welsh public sector organisations report scope 3 emissions and include them in net zero targets

Text of petition:

Include all emissions associated with public sector investments in Welsh government decarbonisation targets and make reporting investment emissions (scope 3) mandatory for all Welsh public sector organisations. Local authorities are aiming for net zero by 2030 while investing in companies that plan to extract fossil fuels for decades. Welsh public sector organisations are not currently required to report on emissions associated with investments! This is a loophole that needs closing.

A brief explanation of scope 3.

Scope 1 – direct emissions from sources owned or controlled by a public sector organisation.

Scope 2 – indirect emissions from purchased electricity, steam, heat, and cooling.

Scope 3 – all other emissions associated with an organisation's activities. Including investments in fossil fuel companies.

Including some scope 3 emissions within the operational boundary but excluding investments is inconsistent with achieving true net zero by 2030



and undermines the Government's decarbonisation efforts. See page 14, table 3 here.

https://gov.wales/sites/default/files/publications/2021-05/welsh-public-sector-net-zero-reporting-guide_1.pdf

By including pensions and investments in government targets the public sector will have the flexibility to decide for themselves what to do about these indirect scope 3 emissions without simply ignoring them.

1. Background

Greenhouse gas emissions are categorised into three groups or 'Scopes' by the most widely-used international accounting tool, the [Greenhouse Gas \(GHG\) Protocol](#). Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by an organisation. Scope 3 includes all other indirect emissions that occur from an organisation's activity. This includes purchased goods and services, business travel, waste disposal, transportation and distribution, investments and leased assets.

Wales has a legislative target to achieve [net-zero emissions by 2050](#). In October 2021 the Welsh Government published its [Net Zero Wales plan](#). This statutory emissions reduction plan contains 123 government policies and proposals for the next five years to achieve a reduction in greenhouse gas emissions across all sectors, and looks ahead to the net zero by 2050 target. It includes the ambition of achieving a collective net zero public sector by 2030, covering over 780 public sector organisations in Wales.

The Welsh Government's [Welsh Public Sector Net Zero Reporting Guide](#) (updated in July 2022) aims to help the **public sector in Wales to estimate its net carbon footprint, including direct and indirect emissions.**

Table 3 on page 16 outlines Scope 3 emissions sources for the public sector in Wales:

- Purchased goods and services;
- Fuel and energy related upstream activities;

- Upstream transportation and distribution;
- Waste generated in operations;
- Business travel;
- Employee commuting;
- Upstream leased assets;
- Downstream leased assets*;
- Downstream transportation and distribution*;
- Processing of sold products*;
- End-of-life of sold products*;
- (Franchises); and
- (Investments).

Sources in **brackets** are excluded from Welsh public sector reporting. Sources **marked with *** have been partially excluded from Welsh Public Sector reporting and the guide advises organisations should consult the relevant sections of the guidance for further instruction.

2. Welsh Government action

The Minister for Climate Change, Julie James MS, response to this petition states reporting of emissions by public authorities although well supported, is currently not mandatory but strongly encouraged, for example through its Welsh Public Sector Net Zero Reporting Guide.

It outlines the operational boundary and development of the reporting guide for the new public sector reporting process was developed collaboratively during a workshop of public body representatives.

It states in the first instance, the aim is to focus on the emissions directly under the operational control of the public sector, including Scope 1 and 2, and most of Scope 3. The initial results were collated and shared as a report earlier this year, Public Sector Net Zero data and recommendations.

The Minister goes on to say:

The public sector does not have direct operational control of many of the key decisions regarding to pensions and investments. I understand there are 8 main funds across local government which have pooled most of their investments, and the pool has introduced a climate change / decarbonisation statement. The Minister for Finance and Local Government has written to and met with the chairs of these pools to encourage them to go further and faster, with some success and committed to work with the public sector to agree a strategy to decarbonise pensions by 2030, thus bringing them into line with current public sector net-zero targets.

3. Welsh Parliament action

The specific issue of Scope 3 emissions has not been considered in the Senedd. However, on 25 May 2022 the Senedd debated a motion put forward by Jack Sargeant MS, on decarbonising public sector pensions. The motion, which was agreed, proposed the Senedd:

1. Notes:

- a) that the Welsh Government was the first in the world to declare a climate emergency, recognising the serious threat climate change poses;
- b) that public sector pension schemes continue to invest in fossil fuels and, for many years, campaigners have urged schemes to divest;
- c) that the Welsh pension partnership moved quickly to withdraw investment from Russian holdings and has previously divested from coal, thus demonstrating that it is possible for pension funds to make these decisions;
- d) that Members of the Senedd took the initiative to divest their own pension funds from fossil fuels;
- e) that if public sector pension schemes in Wales divest, Wales would be the first nation in the world to achieve this, demonstrating to fund providers the need to create fossil fuel free investment products.

2. Calls on the Welsh Government to work with the public sector to agree a strategy to decarbonise pensions by 2030, thus bringing them into line with current public sector net-zero targets

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