A Big Box of Carbon Reduction

How Efficiency Programs Can Leverage Consumer Product Retailers' & Manufacturers' Scope 3 Carbon Reduction Efforts

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Consumer product retailers & manufacturers are setting goals to increase the energy efficiency of the products they sell. This has the potential to change the way programs relate to these market actors.

WHAT IS SCOPE 3?

Scope 1	Emissions caused by fossil fuel consumption or other activity occurring at a company's facilities or as part of its direct operations.
Scope 2	Emissions caused by generation of energy used within a company's facilities or as part of its direct operations.
Scope 3	All other emissions due to an organization's activities, including supply chain emissions. Scope 3 Category 11 directly addresses emissions resulting from the use of any products an organization sells.

WHY ARE COMPANIES INTERESTED IN SCOPE 3?

Investor Pressure

- Large investors like Blackrock & Vanguard have made statements in support of Environmental, Social & Governance (ESG) goals, including carbon reduction
- Activist investors may vote against directors & management if companies do not report & develop plans to reduce carbon emissions
- Potential to increase stock prices & access investment from ESG-focused funds

Regulatory Pressure

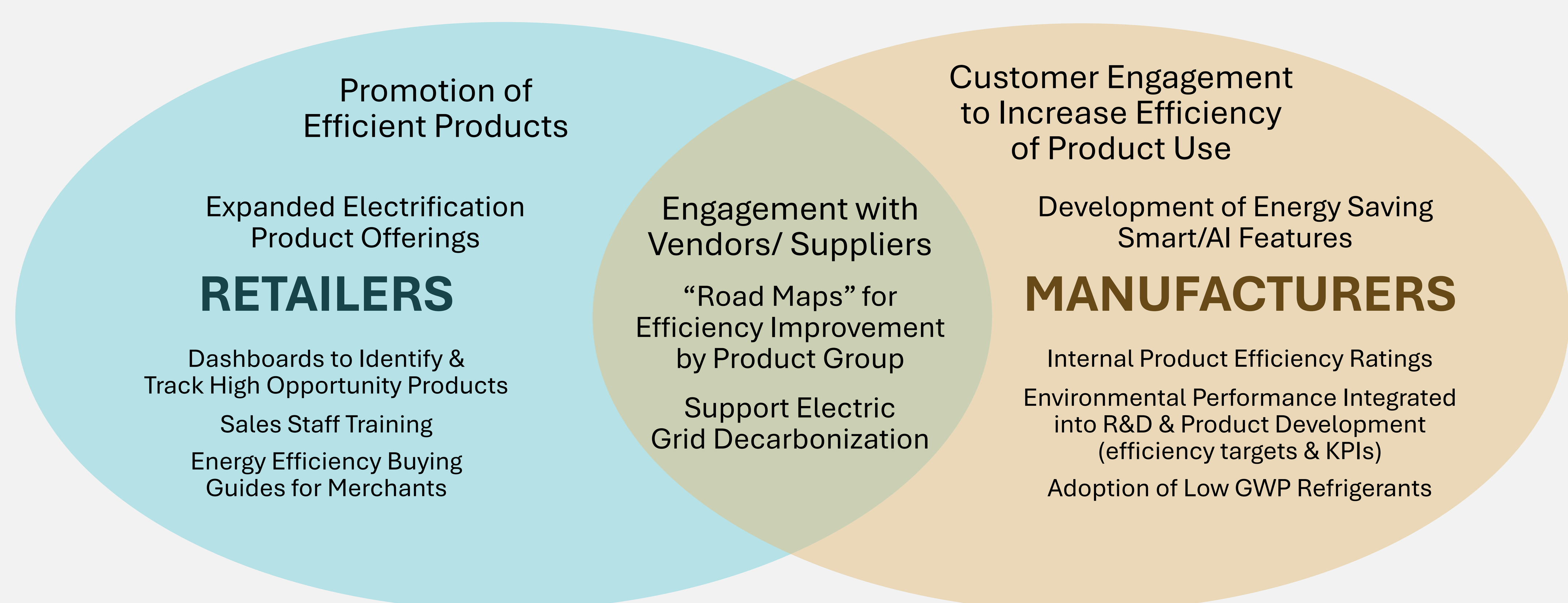
- SEC Climate Related Disclosures rule proposed Scope 3 reporting requirements, but Scope 3 was dropped from the final version
- California Corporate Climate Data Accountability Act requires reporting on Scope 3 emissions beginning in 2027
- EU Corporate Sustainability Reporting Directive will require Scope 3 reporting with a phased roll-out, beginning in 2027 for the largest companies

WHAT GOALS ARE COMPANIES SETTING?

	Company	Goal	Baseline Year	Target Year
MANUFACTURERS	LG	20% reduction in "usage-phase emissions"[1]	2020	2030
	Electrolux	25% reduction in Scope 3 emissions from use of products sold	2015	2025
	Sony	45% reduction in Scope 3 emissions	2021	2035
	Whirlpool	20% emissions reduction from use of products sold	2016	2030
	Samsung	30% reduction in energy use of key product categories[2]	2019	2030
RETAILERS	Best Buy	20% reduction in carbon emissions from ENERGY STAR® product categories	2017	2030
	The Home Depot	$600 million in customer energy cost savings through use of energy saving products	2023	2026
		25% reduction in Scope 3 emissions from use of sold products	2020	2030
	Lowe's	22.5% reduction in Scope 3 emissions	2021	2030
	Costco	20% reduction in Scope 3 emissions intensity	2020	2030
	Walmart	Reduce, avoid, or sequester 1 billion metric tons of emissions in global value chain	2017	2030

[1] Goal applies to: TVs, refrigerators, clothes washers, clothes dryers, room air conditioners, mini-split air conditioners, & monitors.
[2] Goal applies to: TVs, refrigerators, clothes washers, room air conditioners, monitors, PCs, & smart phones.

WHAT ARE COMPANIES DOING TO MEET THOSE GOALS?



OPPORTUNITIES FOR PROGRAMS

Act as a resource to help vendors/suppliers reduce their carbon footprint.

- Supply chain engagement is a central strategy for companies to reduce Scope 3 emissions
- Smaller suppliers/vendors may need additional support to identify & implement strategies to reduce emissions
- Programs may be able to position themselves as a provider of this support, encouraging large organizations to refer their smaller suppliers

Ensure that methods for calculating emissions reductions from use of products sold align with program efforts.

- Data availability is a central challenge for Scope 3 estimation & reporting
- Program administrators may have more sophisticated & granular approaches to estimating & tracking savings than retailers or manufacturers
- For example, market actors may use deemed savings/carbon values for ENERGY STAR products that fail to attribute greater savings to higher-tier products

Use incentives to direct market actor efforts to product categories & efficiency tiers that align with program goals.

- Efficiency program incentives (particularly midstream incentives) can help retailers justify using internal resources on a particular efficiency effort
- Programs may be able to nudge retailers to increase their focus on certain products or efficiency tiers

Seek alliance on broader market transformation efforts.

- Updated ENERGY STAR specifications & federal efficiency standards can benefit retailer & manufacturer Scope 3 efforts, aligning the interests of these market actors with program administrators
- Programs may be able to leverage those common interests to encourage market actor involvement in specification & standard setting processes, in favor of increased efficiency

METHODS	Retailer & Manufacturer Environmental & Sustainability Goals Review	Mass-Market Retailer Interviews	Business, Academic, & Popular Press Literature Review
OBJECTIVE	• Compile retailer & manufacturer broad sustainability goals & targeted Scope 3 goals • Track any recent changes in goals • Identify actions reported to meet goals • Catalog reporting metrics & progress	Understand how sustainability goals drive efforts to promote efficient products	• Identify narratives & perspectives on individual retailer/ manufacturer goals • Understand influence of regulation & investor pressure on retailer & manufacturer goals
APPROACH	• Review of ESG (or similar) reports from 2021-2023, • Review of supplemental sources like company press releases, websites, and earnings calls.	In-depth interviews with retailers' sustainability staff and/or operational team (n=6) & merchants (n=3) (4 retailers total)	Review of literature from: • Popular & business press • Investor statements • Energy efficiency literature (on state & federal policies)