



Scope 3 Emissions

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Principal Officer – Low
Carbon Team



CERP Progress Update

Contents

What contributes to emissions?

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Scope 1

Scope 1 is direct emissions, which means any emissions that come as a direct result of us burning a fuel such as oil, gas, or petrol

Source of Emissions	2008/09 (baseline year)	2020/21 (last year)
Scope 1 (direct emissions)		
Solid Fuel (wood pellets)	0	7
Liquid fuels	515	40
Gaseous fuels	34,345	7,245
Vehicle fleet and plant	11,259	9,409
Scope 1 total	46,119	16,700



Scope 2

Scope 2 is indirect emissions, which here just refers to the emissions produced when our electricity was generated in a power station.

Scope 2 (indirect emissions)	2008/09 (baseline year)	2020/21 (last year)
Purchased electricity (Grid)	51,065	7,696
Scope 2 total	51,065	7,696



Scope 3

Scope 3 is emissions from areas where we can't have full control. Scope 3 includes business travel, as we can not control the type of vehicle our staff choose to use.

Scope 3 (emissions outside of DCC's control)	2008/09 (baseline year)	2020/21 (last year)
Business Travel	3,830	499
Solid Fuel (wood pellets)	0	2
Liquid fuels	0	605
Gaseous fuels	23	12,275
Purchased electricity (Grid)	334	5,414
Electricity Distribution	3,996	1,127
Scope 3 total	8,183	19,922



SCOPE 3 – Where Next?

Investors in the Environment

- Work to measure, monitor and reduce the Council's environmental impacts

Awareness Raising

- More and better recycling and composting from Council properties
- Staff commuting



Durham County Council



Procurement impact on Scope 3 emissions

Richard Carroll
Procurement Manager



Agenda



- **What we are doing now?**
 - Request for Carbon Reduction Plans from Suppliers
 - TOMS Assessment – Environmental Measures
 - Identifying Key Category's & Improving specification content
- **What can we do further?**
 - Work with Key Suppliers on innovative solutions
 - Baseline current key Contracts
 - Encourage early engagement of key projects with LCT
- **Next Steps...**



What are we doing now? - Carbon Reduction Plans



- Procurement Policy Note 06/21: Taking account of Carbon Reduction Plans in the procurement of major government contracts:

<https://www.gov.uk/government/publications/procurement-policy-note-0621-taking-account-of-carbon-reduction-plans-in-the-procurement-of-major-government-contracts>

- Currently optional for Local Government (mandatory for Central)
- DCC have adopted this as part of a mandatory requirement when appropriate
- Contracts over 5m per annum

Section 6.3	Carbon Reduction Plans	Response
	I / We confirm that the organisation have suitable systems in place to measure our carbon footprint and have in place a commitment to Net Zero target on carbon emissions for 2050.	Yes No



TOMS Assessment – Social Value impact



- New County Durham Pound ‘Durham TOMs 22’ (Themes, Outcomes & Measures)
- Environment: Decarbonising and Safeguarding our World Section
 - Savings in CO2 emissions on contract achieved through de-carbonisation (specify how these are to be achieved)
 - No. car miles saved on the project as a result of a green transport programme or equivalent (e.g. cycle to work programmes, public transport or car pooling programmes, etc.)
 - No. car miles driven using low or no emission staff vehicles included on project as a result of a green transport programme
 - Hard-to-recycle waste diverted from landfill or incineration through specific recycling partnerships (e.g. Terracycle or equivalent)

Environment: Decarbonising and Safeguarding our World	Carbon emissions are reduced	CDF28	NT31	Savings in CO2 emissions on contract achieved through de-carbonisation (specify how these are to be achieved)	tCO2e
	Air pollution is reduced	CDF29	NT32	No. car miles saved on the project as a result of a green transport programme or equivalent (e.g. cycle to work programmes, public transport or car pooling programmes, etc.)	miles saved
		CDF30	NT33	No. car miles driven using low or no emission staff vehicles included on project as a result of a green transport programme	miles driven
	Resource efficiency and circular economy solutions are promoted	CDF31	NT72	Hard-to-recycle waste diverted from landfill or incineration through specific recycling partnerships (e.g. Terracycle or equivalent)	tonnes

Identifying Key Category's & Improving Specification content & Sourcing Local



- Under our Category Management set-up we can identify key Category areas which can have a high impact on Scope 3 emissions:
 - Waste
 - Food
 - Construction
- Use specifications to reduce energy use, (costs), and identify performance requirements across the supply chain to be tracked, monitored and reported.
- Identify appropriate procurement approaches to support the Local agenda and utilise the benefits of the County Durham Pound to create & increase Local opportunities.
- Utilise the TOMs matrix to improve the local supply chain support on Major Projects.



What can we do further? – Innovative Solutions



- Identify key Contract Partners (through Supplier Relationship Management) who have innovative solutions to reduce emissions and carbon impact:

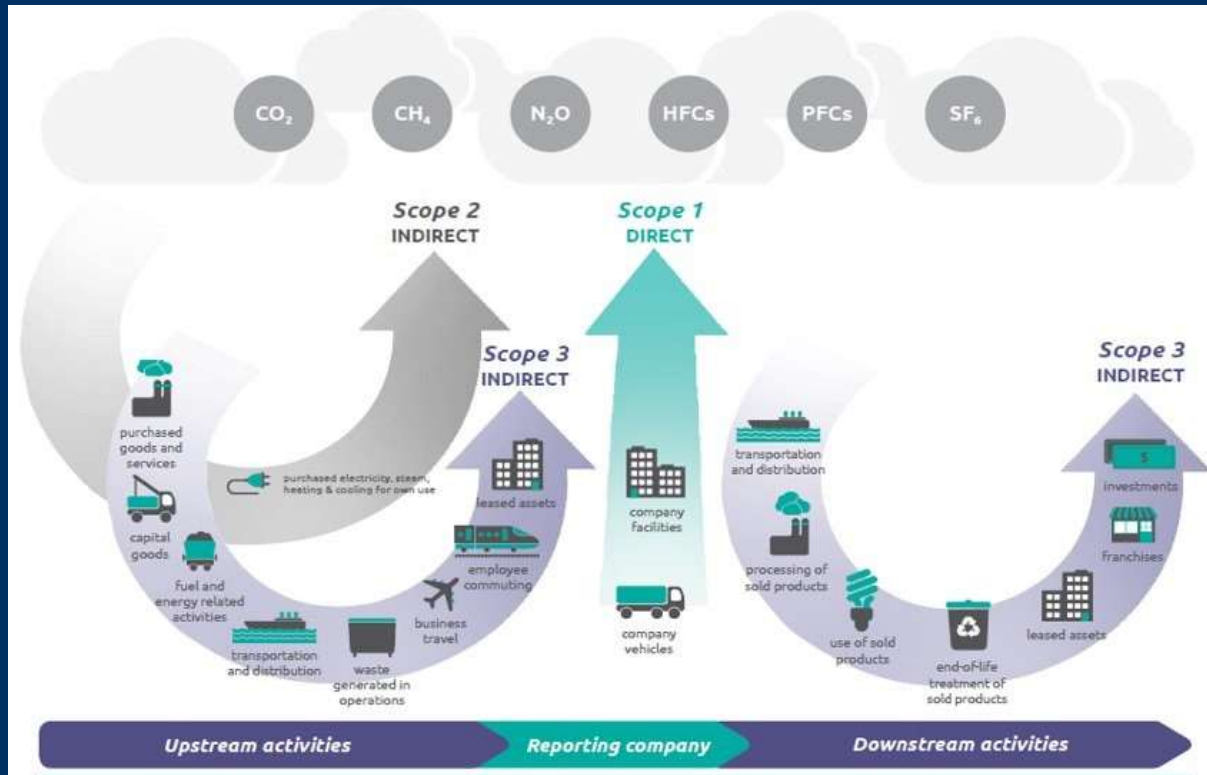
Case Study:

- Surface Dressing Contractor – Rainton Construction *part of MGL*.
- Long term partner delivering multi-million pound annual programme.
- Identified that lowering the temperature of the ground conditions during the road surfacing procedure resulted in a decrease of around 30% of fuel usage and subsequent emissions.
- Highway Services continue to work with partners on innovative solutions through strong SRM approaches trialling new techniques such as re-used plastic through our contract arrangements.



Baseline current key Contracts/Early involvement of LCT

D²⁰₂₅
UK City of Culture Bid



Identify baseline of key contracts will allow us to generate specific reduction targets in any re-procurement exercises

LCT to encourage early consideration as part of specification development, building design and contract performance in Project planning.

IF THESE AREAS ARE NOT CONSIDERED PRIOR TO ENGAGING PROCUREMENT IT'S NORMALLY **TOO LATE**

Next Steps

Work with LCT on
planned Pipeline
Procurement process
identifying op's

Continue Key Supplier
engagement &
innovation processes

Encourage baseline
mapping of key
Contract Scope 3's

Utilise Social Value to
improve localised
delivery

Use Procurement
processes to
challenge the supply
base

**D20
25**
UK City of Culture Bid

Durham
County Council



Durham County Council Pension Fund Climate Risk & Emissions

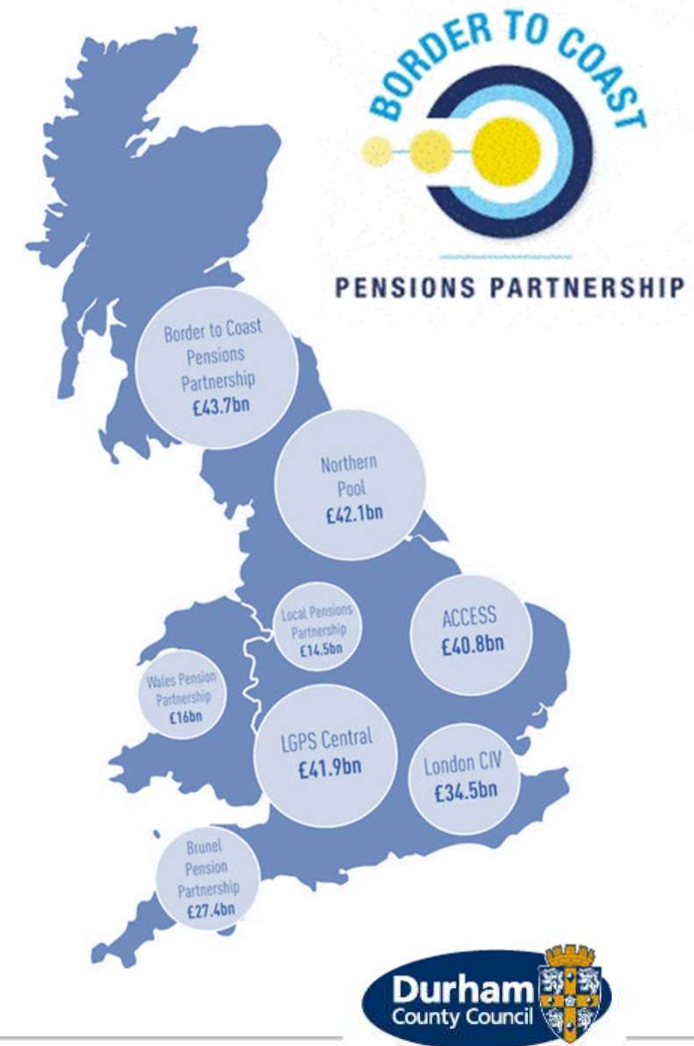
Paul Cooper, Head of Pensions



Context - Asset Pooling

All Local Government Pension Funds in England and Wales required to pool assets.

- 79 individual funds across the country to consolidate assets into 'pools'
- Aim of improving investment opportunities and reducing costs
- Durham formed 'BCPP' with 10 other equal shareholders
- £40bn+ of assets to be under BCPP management, transition process ongoing
- FCA Regulated entity, with Authorised Contractual Scheme ('ACS') at its core – a regulated, UK tax transparent fund for institutional investors



Border to Coast Shareholders



CUMBRIA COUNTY COUNCIL



DURHAM COUNTY COUNCIL



EAST RIDING PENSION FUND



BEDFORDSHIRE PENSION FUND



LINCOLNSHIRE COUNTY COUNCIL



NORTH YORKSHIRE COUNTY COUNCIL



SOUTH YORKSHIRE PENSION AUTHORITY



SURREY PENSION FUND



TEESSIDE PENSION FUND



TYNE AND WEAR PENSION FUND



WARWICKSHIRE PENSION FUND



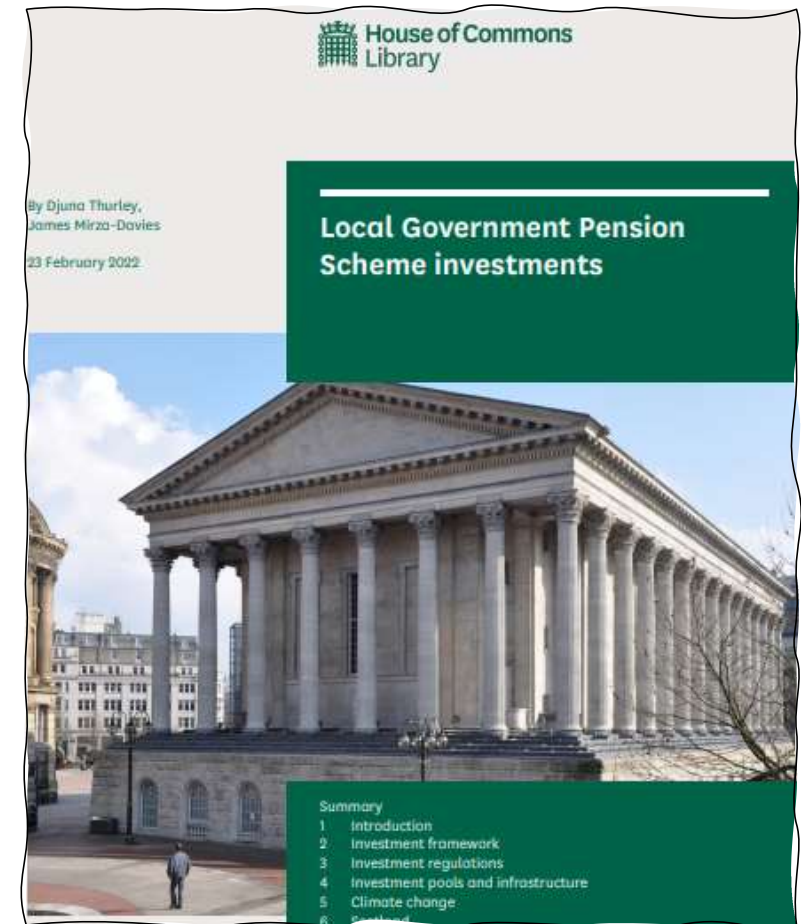
BORDER TO COAST JOINT COMMITTEE



Context - Fiduciary Duty

The Pension Fund has a duty to act in the best interests of scheme members. Whilst considering ESG factors, the Fund must not risk material financial detriment.

- *R (on the application of Palestine Solidarity Campaign Ltd and another) (Appellants) v Secretary of State for Housing, Communities and Local Government (Respondent)* established that LGPS Funds are **not** public money
- In managing an LGPS fund, the administering authority has both fiduciary duties and public law duties
- Investment powers must be directed to achieving what is the best for the financial position of the fund
- An LGPS Fund may be influenced by wider ESG issues so long as that does not risk material financial detriment and the administering authority may not prefer its own interests to those of other scheme employers
- The administering authority cannot impose its view on scheme employers nor can scheme employers impose their view on the administering authority if either resulted in a material risk to the return to and/or a suitable balance of assets in the fund



Border to Coast - Managing Climate Risk

Responsible Investment, Climate Change and Voting Policies

- Net Zero commitment
- 2050, or sooner

Quarterly Carbon reporting to Pension Fund Committee

- Carbon Intensity
- Benchmark comparison

Engagement approach, rather than blanket divestment, however exclusions of:

- Tar Sands
- Pure Coal

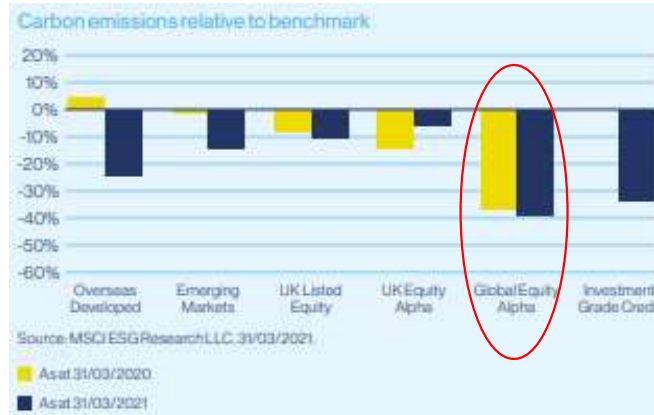
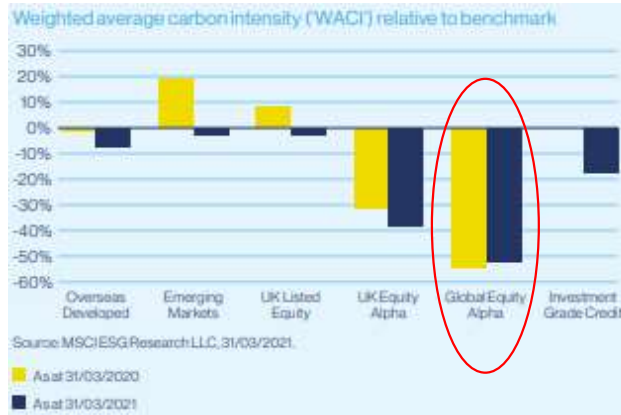
Engagement with Royal Dutch Shell plc (listed equity)

Reason for engagement: Reaching net zero carbon emissions by 2050 is vital to halt climate change and avoid irreversible consequences. Climate change poses systemic risks to the global economy and financial system and companies play a key role in mitigating these risks. At the same time, companies can reap the opportunities that arise from the transition and mitigation.

Objectives: To improve and enhance transparency on long-term climate planning in alignment with the goals of the Paris Agreement.

Scope and process: A lengthy engagement with Shell has featured regular conversations with key decision makers, including the CEO, chair, and the other independent board members. Extensive engagement was undertaken by investors from Climate Action 100+, led by Robeco and the Church of England Pensions Board, along with other platforms including the Dutch investors group Eumedion and the Institutional Investors Group on Climate Change.

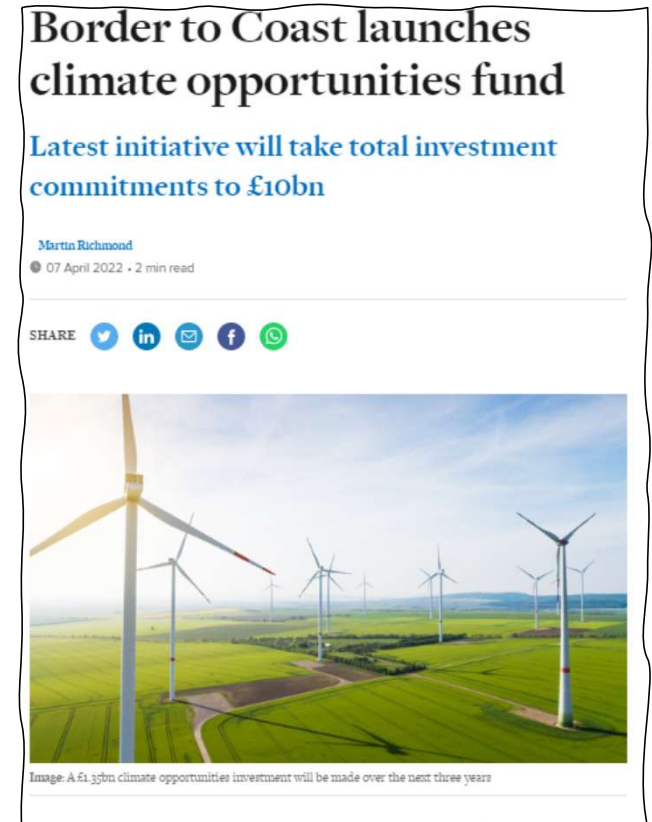
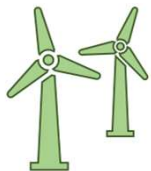
Outcome: In 2020, engagement led to an upgraded climate ambition to become a net zero energy business by 2050. The plans provided more insight into levers under the company's control to achieve this and commitment to continued transparency on progress. Following ongoing dialogues, in early 2021, Shell was the first company in its sector to announce a "Say on Climate" proposal at its AGM.



Supporting Climate Opportunities

In March the Pension Fund Committee committed **£70m** to support the launch of a Climate Opportunities Fund through Border to Coast

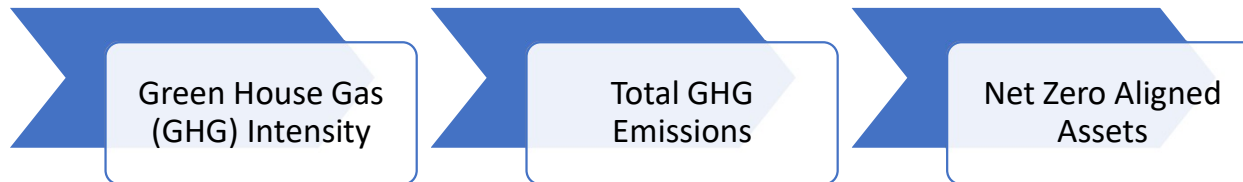
- Target 8% investment return
- Global exposure with European (inc. UK) and North American focus
- Invests into opportunities focused on reducing carbon emissions and supporting the transition to a low carbon economy



Looking Ahead - TCFD

- Taskforce on Climate Related Financial Disclosures (**TCFD**)
- LGPS Consultation on TCFD expected Summer 2022
- Expected requirement for scenario analysis, and
- Measurement against three metrics

“Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse (‘GHG’) emissions, and the related risks”



Any Questions?