

# REQUEST FOR EXPRESSIONS OF INTEREST:

## Supply Chain/Scope 3 GHG Pilot Projects

20 January 2022

### INTRODUCTION

To limit global warming to 1.5°C and avoid the catastrophic impacts of climate change, companies must reduce their greenhouse gas (GHG) emissions in alignment with science. For most sectors, this means directly abating their Scope 1, 2, and 3 emissions by approximately 90 percent by 2050 at the latest. Over 1,000 companies have set 1.5°C, science-based targets (SBTs) with the [Science-based Targets Initiative \(SBTi\)](#), and over 3,000 companies have joined the UNFCCC's [Race to Zero Campaign](#). These initiatives require companies to prioritize abatement and are expected to significantly increase corporate interest in supply chain/Scope 3 interventions (commonly referred to as insetting) over time.

In response to this growing demand, Verra is exploring developing a Supply Chain Intervention GHG Program (“Supply Chain Program”) that would leverage the Verified Carbon Standard’s (VCS) market reach, carbon crediting methodologies, audit process, and registry infrastructure to:

1. Support the robust and consistent accounting of GHG interventions in corporate inventories to improve the rigour of supply chain/Scope 3 intervention claims.
2. Prevent activities from being double counted as supply chain interventions and carbon credits to avoid undermining the project’s environmental impact.
3. Establish flexible pathways for companies to generate carbon credits or supply chain/Scope 3 interventions to incentivize greater climate action.

To help assess this opportunity and inform key design elements of the proposed Supply Chain Program, we are seeking experts from a variety of sectors and geographies to implement an emissions reduction or removal activity in a supply chain and test the use of a carbon crediting methodology to quantify the benefits.

### PILOT PROJECT ACTIVITIES AND GOALS

There are many factors currently influencing companies away from making much-needed investments in their supply chains to reduce and/or remove emissions. These issues include, but are not limited to, the following:

1. Current methods and data used to account for Scope 3 emissions are unrefined. Methodologies for accounting for supply chain-related interventions are extremely limited and currently need to be developed by companies.

2. Lack of product traceability in supply chains and confusion over how to account for interventions and allocate associated changes in emissions from specific actions and investments.
3. Concerns about ownership, allocation, traceability, and free-rider risk when one company in a supply chain invests in an intervention that benefits multiple companies' emissions inventories.
4. Reservations about making investments in supply chains (e.g., with suppliers and distributors) that may change over time and cause the company to lose the ability to claim the associated GHG benefits.
5. The absence of a centralized registry for tracking supply chain/Scope 3 interventions to ensure that the emission reductions and/or removals are not also sold as carbon credits (i.e., double-counted).

Given the above, Verra's supply chain/Scope 3 GHG pilot projects will strive to:

1. Adapt the quantification approach of an initial set of 4-6 carbon credit [methodologies](#) to quantify supply chain/Scope 3 interventions and demonstrate how these interventions can be captured in corporate GHG inventory accounting following the requirements of the World Resources Institute's [GHG Protocol](#).
2. Understand methods of accounting for supply chain interventions where direct traceability is challenging.
3. Identify the program design elements needed to incentivize corporate supply chain investments and align with related claims.
4. Pinpoint a pathway for interested carbon credit projects operating within corporate supply chains to be transferred and accounted for as supply chain interventions.
5. Identify ways to scale investment in GHG mitigation activities by encouraging supply chain actors to co-invest in emission reduction and removal activities of mutual benefit (note that supply chain interventions can credibly be counted by all stakeholders reporting the baseline source of emissions abated).
6. Determine the key registry functionality that might be needed to locate carbon credit projects in supply chains, track supply chain intervention projects, prevent double-counting, and support corporate emissions management strategies.

The pilots will follow a "learn by doing" approach. Therefore, Verra is looking for collaborators to actively engage in problem-solving alongside our team, who are comfortable working in an emerging and evolving space and interested in establishing accounting and crediting frameworks that could accelerate climate action.

## BENEFITS OF PILOT PARTICIPATION

Table 1 summarizes the potential benefits to stakeholders from participation in the pilot projects.

Table 1: Benefits of Participation

| Participant  | Potential Benefits  |
|--------------|---|
| Corporations | <ul style="list-style-type: none"> <li>● Robustly, credibly, and consistently account for emission reduction/removal interventions in your Scope 3 inventory</li> <li>● Identify ways to work with your supply chain actors to collectively finance and benefit from emission reduction and removal activities</li> </ul> |

| Participant               | Potential Benefits   |
|---------------------------|--|
| <b>Project Proponents</b> | <ul style="list-style-type: none"> <li>● Guide the development of a potential Supply Chain Program that could help future-proof your projects by enabling credits to be used now or later as part of a supply chain or insetting pathway</li> </ul>  |
| <b>NGOs</b>               | <ul style="list-style-type: none"> <li>● Influence the design of a potential new Supply Chain Program and help drive high impact climate change mitigation activities</li> </ul>   |
| <b>Consultants</b>        | <ul style="list-style-type: none"> <li>● Develop and further refine your expertise in the intersection of carbon markets and supply chains</li> <li>● Build your network of individuals working in the supply chain/Scope 3 and carbon crediting spaces</li> </ul>   |
| <b>All</b>                | <ul style="list-style-type: none"> <li>● Shape the development of a new and potentially leading Supply Chain Program</li> <li>● Demonstrate leadership and commitment to credible quantification of emission reduction and removal activities</li> <li>● Work collaboratively with Verra to help solve complex quantification challenges and identify workable yet rigorous solutions that will foster climate leadership within supply chains</li> <li>● Collaborate and learn from other leading companies, project proponents, NGOs, and consultants in a non-competitive environment.</li> </ul> |

## PILOT PROJECT SCOPE

Verra is interested in receiving proposals from entities working in one or more sectors, including but not limited to:

- Agriculture
- Forestry
- Transportation
- Textiles
- Mining
- Technology
- Hospitality
- Manufacturing/Industrial
- Construction

We plan to select 4-6 pilots from diverse sectors to help us obtain a broad understanding of the unique and varied challenges faced by different industries investing in and implementing supply chain/Scope 3 interventions.

Ideally, applicants will include at least one corporate partner who is working on or has completed a GHG inventory. Applications from consortiums involving project proponents, consultants, and multiple companies working in a supply chain are encouraged.

## PARTICIPANT COMMITMENT

The pilot projects will commence in Q1 2022 and run for an initial one-year period with the possibility of extension. Participants will be expected to:

- Implement a GHG reduction or removal activity in their supply chain, quantify the benefits following an adapted carbon crediting methodology, incorporate the results into the company's GHG inventory and share the outcomes with Verra (note that where needed, NDAs with participating pilots can be signed to protect any confidential information).

- Participate in one-on-one meetings with Verra to discuss key quantification issues, opportunities to scale impact, and work through technical challenges.
- Join monthly group meetings with the other pilot project participants on potential Supply Chain Program design elements.

The total time commitment to this initiative will vary depending on the participant's sector, technical capacity, complexity, status of the relevant corporate GHG inventory, experience, familiarity with carbon crediting methodologies, and other variables. Depending on internal capacity and resources, some companies may benefit from the support of consultants.

Verra staff will work with participating pilots to adapt existing carbon credit methodologies for supply chain intervention accounting and will facilitate all group meetings. Participating pilots will provide guidance and advice to Verra but will not have decision-making power. The working language will be English, and the Chatham House<sup>1</sup> rule will be followed in all meetings.

## WHY VERRA?

Verra is a global leader helping to tackle the world's most intractable environmental and social challenges. As a mission-driven non-profit organization, Verra is committed to reducing GHG emissions, improving livelihoods, and protecting natural resources by working with the private and public sectors. Verra supports climate action and sustainable development with standards, tools, and programs that credibly, transparently, and robustly assess environmental and social impacts and enables funding for projects that verifiably deliver these benefits.

The Verified Carbon Standard (VCS) Program is Verra's flagship program. The VCS Program allows registered projects to turn GHG emission reductions and removals into tradable carbon credits called Verified Carbon Units (VCUs). Since its launch in 2006, the VCS Program has grown into the world's largest voluntary GHG program, accounting for two-thirds of all voluntary carbon market transactions. As a result, Verra has:

1. The most wide-reaching group of carbon crediting methodologies that could be leveraged to quantify supply chain interventions; and
2. The most extensive network of global carbon credit projects that might benefit from transitioning to supply-chain interventions over time.

Further, Verra is a leader in quantifying the benefits of nature-based solution projects and can leverage this expertise to support companies with significant land-based emissions in quantifying the benefits of their supply chain investments.

Environmental Finance has recognized the VCS Program as the Best GHG Crediting Programme for eight out of the last nine years. Verra plans to employ the same commitment to innovation that led to the VCS's success in its supply chain work.

## APPLICATION PROCESS

Interested companies and associated partners are invited to submit a short expression of interest (between 3-5 pages long) outlining:

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<sup>1</sup> Under the Chatham House rule, participants are free to use and discuss the information covered in the working group but cannot use the identity nor the affiliation of the speaker(s).

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- What you would like to achieve through your participation in the pilots
  - A brief summary of any related work completed to date (including the status of any relevant corporate Scope 1, 2, and 3 GHG inventories)
  - Key challenges/questions you would like to work through with Verra
  - The proposed pilot project, including:
    - Project activity
    - Location
    - Proposed GHG quantification methodology
    - Current status/progress made to date
    - Project partners/team
    - Desired outcomes and intended end-use of the resulting emission reductions and/or removals

Expressions of Interest should be submitted to Candace Vinke, Senior Director, Nature-based Innovations, at [cvinke@verra.org](mailto:cvinke@verra.org), by 25 February, 2022.