



Minutes of ICARB SMEs Workshop

Tuesday 7th September 2011 - Heriot-Watt University

Summary

The following document provides minutes from the ICARB Small and Medium-sized Enterprises (SMEs) workshop. The workshop discussed carbon accounting for SMEs under the following broad themes: appropriate SME sub-categories and accounting for significant scope 3 emissions. The workshop was well attended by a cross-section of stakeholders, including academia, business support and SME practitioners. There was agreement that a SME rule book should be compatible at all levels – micro, small and medium – and that there should be a minimum of two sectoral sub-categories (production and services). However, there were questions where agriculture fit in, with it potentially needing its own sub-category. When determining the scope 3 emissions of an SME, some type of significance testing should be required to ascertain the appropriate emission sources. A tiered method to calculate emissions could be formulated, however the level of complexity will depend on the availability of data to feed into the calculations.

A copy of the agenda and presentations are available on the ICARB website (www.icarb.org).

Attendees

*Alan Greenshields	The Perfect Finishing Solution
Ahmad Foruzan	Heriot-Watt University
*Alice Hamling	Crichton Carbon Centre
*Amar Nayak	Robert Gordon University
Andrew Millson	Scottish Business in the Community
*Anna Scott	Green Business Partnership
Dave Gunn	Edinburgh Centre on Climate Change
David Crawford	Boboi Beach Lodge
*Eva Milroy	South of Scotland Business Solutions
George Foster	South of Scotland Business Solutions
Hiro Murakami	University of Glasgow
Iain McMickan	Dalbeattie Church
Jess Russell	Glasgow Caledonian University
Jim Robinson	Scottish Enterprise
John Crawford	Scottish Enterprise
Lisa Gibson	Crichton Carbon Centre (Leader)
Lowellyne James	Capital Cooling
Mary Goodman	Federation of Small Businesses
Matthew Aitken	Underwood Consultants
Matthew Lawson	Transition Edinburgh University
*Mohamed Abdel-Wahab	Heriot-Watt University

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Neil Kitching	Scottish Enterprise
Osbert Lancaster	Changemaking
Rachel Dunk	Crichton Carbon Centre (Leader)
Reza Kouhy	University of Abertay Dundee
Rob Carlow	University of Glasgow
Samuel Chapman	Heriot-Watt University
Sheila Scott	Glasgow Caledonian University
Susan Roaf	Heriot-Watt University
*Warren McIntyre	Carbon Trust
* <i>Apologies</i>	

Minutes

Welcome and Introductions – Workshop leaders

Rachel Dunk welcomed delegates to the workshop event and Susan Roaf began the session with a brief introduction to ICARB – The Initiative of Carbon Accounting – providing an overview of the project and the upcoming conference on 25th November 2011. Rachel followed this by highlighting the objectives of the workshop, which were as follows:

- Form and shape a SME stakeholder group
- Make first steps in developing the SME carbon accounting rule book
 - SME categories
 - Which scope 3 emission sources?
- Identify next steps/points for future direction

The workshop questionnaire was also introduced, which would address any aspects or individuals/organisations that were missing from the workshop. This questionnaire can also be completed on Survey Monkey – https://www.surveymonkey.com/s/ICARB_SME_Stakeholders. Rachel and Lisa Gibson then introduced themselves and delegates were then asked to do the same, briefly giving their background and reasons for attending the workshop.

Presentation 1: What is a SME? – Lisa Gibson

Lisa presented a scene setting talk on SMEs. This encompassed technical definitions of SMEs, followed by an overview of the sector in relation to climate policy, carbon management and its heterogeneous nature.

Presentation 2: Standards and Methodologies – Rachel Dunk

Rachel gave an overview of the standards currently available for carbon accounting in SMEs. This included a definition of a carbon footprint and the purpose of carbon accounting. This was followed by a summary of the standards applicable to SMEs (GHG Protocol, ISO 14064) and voluntary reporting guidelines. The carbon accounting process (in relation to these standards) was explained, including the three scopes, with the focus being scope 3 requirements. The presentation was rounded off with an explanation of tiered methodologies.

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Workshop groups

At the end of the presentations, delegates were split into three workshop groups, each headed by a facilitator (highlighted in bold), and were asked to discuss the workshop's key questions.

<p>Group 1 Neil Kitching Matthew Aitken Samuel Chapman David Crawford Ahmad Foruzan Mary Goodman Dave Gunn</p>	<p>Group 2 Osbert Lancaster Rob Carlow George Foster Lowellyne James Iain McMickan Jim Robinson Jessica Russell</p>	<p>Group 3 Andrew Millson John Crawford Norman Hutcheson Reza Kouhy Matthew Lawson Hiroyuki Murakami Susan Roaf Sheila Scott</p>
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Key Question 1: Boundaries and sub-categories – who should the SME rule book cover?

Group 1

Through group discussions questions were raised regarding what a size-based classification system would look like. Questions were also raised regarding the percentage of emissions that were generated by micro, small and medium enterprises. Was a sole trader more similar to a personal carbon account than to an SME? What was the purpose of calculating emissions? The group was split regarding whether there should be one tool for all SMEs or two (small v micro). It was noted that office-based companies would be interested in heat/electricity and transport. Annexes would be needed for specialist areas, such as waste disposal and agriculture.

When reviewing the 18 SME sub-sectors, it was concluded that there should be three categories – agriculture, manufacturing and services (see table below).

Agriculture	Manufacturing	Services
Agriculture, forestry and fishing	Construction Mining and quarrying Manufacturing Wholesale and retail trade; Repair of motor vehicles and motorcycles Transportation and storage Electricity, gas, steam and air conditioning supply Water supply sewerage, waste management and remediation	Administrative and support service activities Professional, scientific and technical activities Education Information and communication Financial and insurance services Real estate activities Other service activities Human health and social work activities Arts, entertainment and recreation Accommodation and food services

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Group 2

The group felt that, in principle, the same rule book should be applicable to all sizes (micro, small, medium), however this would be dependent on the complexity of the rule book. It was also concluded that the same rules could be applied to both SMEs and SMOs.

After a review of the 18 SME sub-sectors, it was determined that there should be two sub-groups (production, services), which could be broken down into a further four sub-groups:

- Production with significant 'use phase' emissions
- Other production
- Services, with significant emissions from people, not staff, travelling to site (e.g. customers, patients, pupils etc)
- Other services

Production		Services	
<i>High use phase emissions</i>	<i>Other production</i>	<i>High travel impact</i>	<i>Other services</i>
Electricity, gas, steam and air conditioning supply Construction Manufacturing	Water supply, sewerage, waste management and remediation Mining and quarrying Agriculture, forestry and fishing Transportation and storage	Human health and social work activities Education Accommodation and food services Other service activities Arts, entertainment and recreation Wholesale and retail trade; Repair of motor vehicles and motorcycles	Information and communication Administrative and support service activities Professional, scientific and technical activities Financial and insurance services Real estate activities

Group 3

The group felt that that a classification system should be based on a bottom up approach, which should be compatible at all levels (micro, small and medium), with compatibility being the key word. This could be accomplished by creating a uniform framework. However, consideration needs to be given to the issue of growing businesses and how the guidelines should account for this.

It was concluded that the same carbon accounting rules can be applied to both SMEs and SMOs. However, it was noted that if there are rules applied to these entities, what would be the penalties for non-compliance? Who would police this? There needs to be confidence that everyone was on an even playing field.

When considering the 18 sub-sectors of SME, it was determined that there should be two sub-groups relating to 'services' and 'production' (see table below). There were questions regarding agriculture and whether it fit into either of these groups.

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Service	Production
Professional, scientific and technical activities Real estate activities Transportation and storage Accommodation and food services Wholesale and retail trade; Repair of motor vehicles and motorcycles Human health and social work activities Information and communication Other service activities Financial and insurance services Administrative and support services Administrative and support service activities Arts, entertainment and recreation Education	Water supply, sewerage, waste management and remediation Manufacturing Construction Agriculture, forestry and fishing Electricity, gas, steam and air conditioning supply Mining and quarrying

Key Question 2: What are the significant scope 3 emission sources in SMEs and how should we account for them?

Group 1

The group felt that it was important to understand the primary nature of the enterprise, with issues regarding the artificiality of the 18 SME sectors. For example, a water supply-based enterprise may in fact be an office based consultancy. As a result, it can be difficult to categorise companies, with cases where a SME might work in two completely different areas.

It was determined that the development of an easy-to-use tool was required, that opens up and expands depending on the relevant sub-group and some initial questions regarding relevance and materiality. In terms of the significance of an emission source, there needs to be a test to determine whether a scope 3 emission source is significant or not, with an estimation of 10% of the total footprint. At this stage, scope 3 emissions should be listed in terms of priority, without eliminating. This needs to be followed by the availability of tier 1 to 3 methodologies. In the worst-case scenario, an enterprise may have to conclude that 'emissions are high, but unquantifiable', for example. The aim should be to be comprehensive, so that they business owner has a more comprehensive understanding of their company's carbon impact.

Group 2

It was noted that significance testing would be required to determine whether the inclusion of emissions was on a required or recommended basis. The calculation of waste emissions should be a requirement, if the data is easily available, which would require input from contractors to provide invoices. In addition, it was highlighted that a welcome government intervention would be legislation requiring waste contractors to provide such information, in the same way that utilities currently do.

It was agreed by the group that all sub-groups would have staff commuting and business travel as scope 3 emission sources. In relations to the separate sub-groups:

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- Production with high use phase emissions – emissions from products during the use phase will, by definition, be significant. It is recognised that these emissions may not fall within reporting boundaries, but they should still be considered (and reported on), even if they are not included in their own emissions. This may include reporting initiatives to reduce such emissions, e.g. new sustainable designs or education and awareness campaigns
- All production – for this sub-group, scope 3 emissions would include fugitive emissions, extraction, waste, water and the supply chain
- Services with high travel impact – travel by customers, visitors, patients, pupils etc.
- Other services – This would include procurement and outsourced services noting the distinction between outsourcing with high scope 1 and 2 emissions, such as data centre services, and those that mainly supply staff.

Group 3

The group began by listing the scope 3 emission sources that are likely to be generated by the SME sub-groups. It was felt that the emissions for the service sector were easier to identify, however the production sector was more complicated.

For the service sub-sector, scope 3 emissions were grouped into three sources:

- Source 1 – business travel, customer travel, commuting
- Source 2 – water, waste (embodied carbon?)
- Source 3 – procurement (vague?), outsourcing (esp. contractors), materials (life cycle? too complex?)

There were questions regarding the scope 3 emissions generated by the production sector, particularly whether it is actually a scope 1 process emission? There were discussions whether categorising SMEs should be challenged. The following emission sources were listed for the production sub-sector, however it was noted that their applicability depended on the nature of the SME e.g. forestry/farming:

- Materials
- Waste/water
- Transport of materials

It was agreed by the majority of the group that in the case of both sub-groups, that the scope 3 emissions should be a requirement when accounting for carbon emissions. It was determined that the emission sources could be rated from 1 to 5 to establish the significance of each one.

The group listed existing data sets that could be used for SMEs, however it was noted that further research would be required. These included:

- ICE database
- Library of agreed data sets
- Defra conversion factors
- GHG Protocol

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It was also agreed that a regularly updated dataset library would be a useful resource, along with a glossary of terms for each sector.

The establishment of tiered methodologies would depend on the availability of datasets or whether the inclusion of scope 3 emissions is required. The minimum needs to be established. Another issue surrounds who should be the 'Keeper' of the knowledge – A vested interest? An independent body? The idea was put forward that tiered methodologies could be based around an awards system with gold, silver and bronze level, with each level relating to the complication level of the method used.

Other points of discussion

It was highlighted that it may be useful to approach financial software companies as a first step to build carbon accounting functions in their software. It was noted that we shouldn't be 're-inventing the wheel' and that the time and expertise barriers experienced by SMEs should be considered if this was to go forward. The method applied must be simple, requiring some streamlining of any software packages that incorporate carbon accounting.

Outcomes

There were some areas of consensus amongst the groups, which can be taken forward to form the basis of the SME rule book and inform future discussions.

- It was agreed that the rule book should be compatible at all levels of SME (micro, small, medium). However, this would be dependent on its complexity, with questions regarding how complex it should be.
- Similarly, it was agreed that the rule book should be applicable to both SMEs and SMOs. Questions about the consequences on non-compliance were raised by group 3. Who would police practitioners?
- There was agreement between the groups that the 18 SME sectors should be grouped into 2 sub-groups – 'service' and 'production'. There were uncertainties about where the 'agriculture, forestry and fishing' would fit. It could potentially be a separate sub-group.
- There was some agreement amongst the groups regarding the significant scope 3 emissions of the SME sub-groups:
 - Services – Procurement, Outsourcing (others highlighted were: materials and travel)
 - Production – Waste, Water (others included: materials, transport, fugitive emissions, extraction, supply chain)

However, it was noted by group 1 that there was a need to understand the primary nature of the enterprise before scope 3 emissions could be determined.

SME Questionnaire Response Summary

In total, there were 15 responses to the questionnaire (7 by paper and 8 using Survey Monkey). A range of individuals, organisations, networks and businesses that are relevant to the SME workshop and could play an active role in the stakeholder group were highlighted. These will be compiled and contacted regarding any future group gatherings.

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Several methods to engage SMEs were presented. These included:

- case studies
- workshops
- peer learning/SME-to-SME networks
- consultations
- presentations to existing networks
- short articles/briefing documents through networks
- contacting business organisations/associations/federations

In terms of how the SME stakeholder group should operate, it was agreed that it should meet regularly, but there were differences between how often this should occur, ranging from monthly to bi-annually. Participants also put forward a number of ideas on how it should function, including:

- a web-based forum
- working groups/discussion groups
- assigning actions in minutes

Action Points

Action		
1	Invite the following organisations to join the SME stakeholder group: <ul style="list-style-type: none">• SEPA• Carbon Trust• Defra• Farming for a better climate• Scottish Textile Industry Association• IEMA• Energy Saving Trust• PAS 2050 practitioners• Electrical suppliers• Eco-Congregation• Environment Agency• The Building and Construction Industry Forum	
2	The following networks will be contacted to request SME workshop/stakeholder group information be circulated to their members: <ul style="list-style-type: none">• Chartered Institute of Waste Management• Scottish Government led carbon group – Daniel Hinze• ICAS sustainability group• ICARB email list• Edinburgh Centre on Climate Change• Environmental sustainability KTN• Enviroresearchweb• Eco-Congregation• Farming for a better climate• Linkdin	

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	<ul style="list-style-type: none">• Scottish Climate Change Impacts Partnership• Carbon Disclosure Project• Energy Saving Trust• National Industrial Symbiosis Programme• European Green Energy Centre• Environmental Association of Universities and Colleges• Transition Scotland Network• Trade Associations• Business Improvement Districts• Green Tourism Network• Chamber of Commerce• Let's Live Local• Glenkens Community Trust• Business Gateway• Green Business Network	
3	<p>A key question proposed for discussion at the next SME stakeholder workshop is:</p> <ul style="list-style-type: none">• The role of ICARB in aligning/accrediting carbon footprint methodologies	