

Issue 14
March 2021

FUSE

FUTURE OF SUPPLY CHAIN ENERGY

Introduction

The Future of Supply Chain Energy (FUSE) update is a bi-annual offering wherein energy buyers and service providers share best practices, lessons learned, and views of future trends for renewable energy procurement in supply chains.

Companies leading the clean energy movement understand the need to address both their own greenhouse gas emissions and the emissions produced along their supply chains. For many companies, scope 3 emissions (indirect emission that occur in a company's value chain) are greater than scope 1 and 2 emissions combined (direct emissions from owned or controlled sources, and indirect emissions from the generation of purchased energy consumed by the reporting company, respectively.)

Access [CEBA's Supply Chain Partner Engagement Roadmap](#) on the CEBA Member Portal for additional guidance on engaging suppliers around energy management.

Contributor Acknowledgments

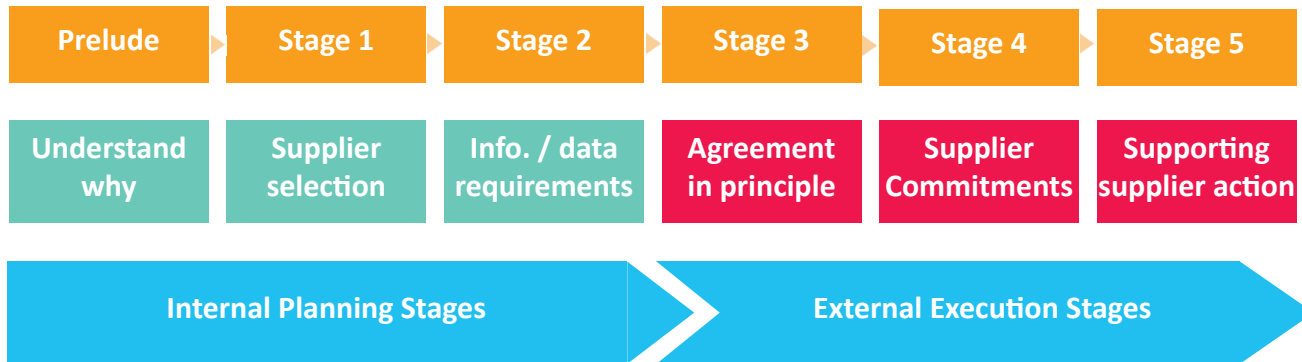
CEBA is proud to collaborate on the Future of Supply Chain Energy update with its members to support organizational emissions reductions through supply chain partner engagement and to accelerate the transition to a zero-carbon energy system.

The following collaborators supported the development of this Future of Supply Chain Energy update:

Anheuser-Busch
Edison Energy
General Motors
Schneider Electric
3Degrees

If you are interested in contributing to the next issue, please contact the CEBA team:
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The guide above outlines the key stages of supply chain partner engagement. These phases have been developed through consultation with customer companies most advanced in their conversations with suppliers regarding sustainable energy. Each FUSE update will reflect relevant updates and success stories in supplier engagement.

You have the option to read through the update in its entirety or use the guide above to jump to a specific stage of interest.

Understand Why

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The COVID-19 global pandemic has disrupted daily operations worldwide for the past year – from how consumers shop to manufacturing plant schedules – and has heightened the focus for companies on production and fulfillment in the short term. Therefore, focusing on sustainability initiatives or investing in emissions reductions is not necessarily top of mind for all. However, leading companies know that sustainability is not a fad from which consumers or investors will soon move on. In fact, many companies are now looking for innovative ways to future-proof their business and advance their goals—and integrating sustainability into their supply chain offers a pragmatic approach.

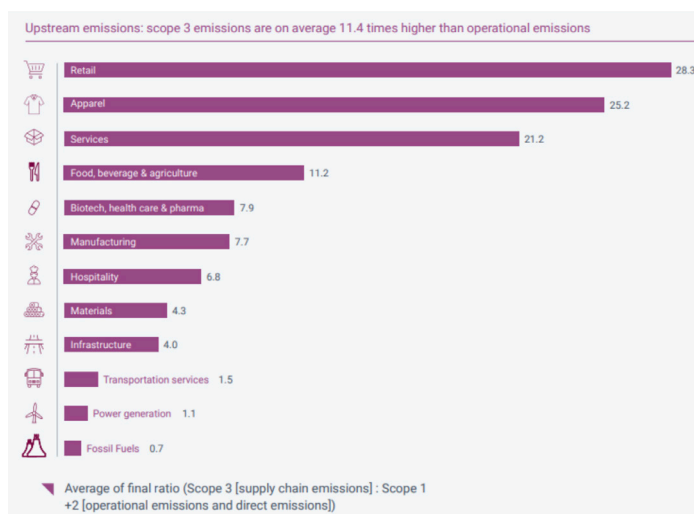
As governments plan to reopen their economies following the COVID-19 pandemic, they are considering how to increase resource efficiency, equity, and resiliency. For example, thirty percent of the European Union's €1.8 trillion (\$2.2 trillion) coronavirus recovery fund is set aside for fighting climate change and the recovery fund specifically excludes environmentally damaging investments.¹

To win in the future, organizations must rebuild with a triple bottom line focus on environmental, social, and economic sustainability and return to creating profitable growth—which means rethinking their approach to supply chain resiliency and sustainability. With a strategic mindset and a fresh approach to supply chain partnerships, companies that deliver on this vision will be able to compete, innovate, win market share, and resume growth in a post COVID world while their conventional competitors will struggle.

For many industries, emissions from their upstream supply chain account for the majority of their end-to-end carbon emissions. According to CDP's 2020 Supply Chain Report, the impact of end-to-end supply chains on a company's total emissions is on average 11.4 times greater than their own direct impact from scope 1 and scope 2 emissions.²

By engaging upstream supply chain actors, companies will be able to leverage additional resources, address the largest component of their emissions, develop shared value, and strengthen strategic partnerships. This approach will not only allow for accelerated progress towards climate and greenhouse gas emissions reduction goals but can translate to economic and commercial benefits for companies as well. For example, in 2020 members of CDP's Supply Chain program reported emissions savings of 563 MtCO₂e and related annual cost reductions of US\$20.2 billion.³ Leveraging its supply chain network can allow a highly connected company to manage multiple types of sustainability and business risks, reduce costs, enhance brand and revenue, access new markets, and attract and retain talent.

- 1 "Recovery Plan for Europe." Europa.Eu, 11 Nov. 2020, https://ec.europa.eu/info/strategy/recovery-plan-europe_en.
- 2 CDP. "Transparency To Transformation: A Chain Reaction. CDP Global Supply Chain Report 2020." 2021.
- 3 CDP. "CDP Supply Chain: Changing the Chain: Making environmental action in procurement the new normal." 2019.



Supplier Selection

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When a company begins to consider supplier engagement, it should first establish a baseline idea of what its supply chain impact is, and what the main drivers of this impact are. For instance, a company might be well aware of its tier 1 suppliers, who are providing products and materials directly to the company. But does the company understand the processing needs, raw materials usage, or the direct land use driven by its tier 1 suppliers' own supply chains, and the impact of those activities? Understanding which suppliers to focus on, based on what types of suppliers are in your supply chain and where your company can have the greatest impact, is critical.

While gathering data on different suppliers is helpful, one of our analysts recently said to us that companies "can't wait on perfect data to make decisions." Companies need to make sense of all the drivers of their supply chain footprint with the data that is available today, and then chart a course towards long-term success based on the company's supply chain type and goals. For instance, a clothing retailer's supply chain is very different from an agricultural producer's supply chain, which is different from a data center's supply chain, which is different from a steel manufacturer's supply chain. Therefore, companies may want to start by analyzing their supply chains at a high level, and then modeling what the impacts of certain sustainability and supply chain engagement efforts will be. This analysis may point a company towards engaging its suppliers in renewable energy efforts, or it may inform the company that it is better served by focusing on other initiatives. If a company does choose to focus on renewable energy as part of its supply chain engagement, we have identified supplier education, aggregated purchases of EACs or Carbon Offsets, facilitation of participation in aggregated power purchase agreements by suppliers and customer companies, and the creation of renewable energy products as key opportunities for engagement.



Information/Data Requirements

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Customer companies use a variety of approaches to engage supply chain partners, collect information, and analyze data. Resources and tools can include third-party reporting platforms, developing in-house tools, hiring an outside consultant, and using a hybrid approach with customizable survey tools and software. These approaches are explained in detail in [CEBA's Supply Chain Partner Engagement Roadmap: A Guide to Approaches for Sustainable Energy Transitions](#).

Making data reporting simple for suppliers can help avoid over-complication by asking the right questions. For example, requesting the sustainability footprint requires the supply chain partner to have the technical knowledge to calculate the sustainability footprint, which can result in a potentially incorrect number. Restructuring the question to *"how many barrels of oil do you buy?"* or *"how much of your electricity is from renewable sources?"* will help draw a clearer picture of supplier footprints. One customer company suggests that suppliers must report zero on questions regarding renewable energy use rather than leave it blank, which then drives education and awareness for the supplier and lessens reporting errors.

Keep in mind that supply chain partners receive multiple requests from different customer companies, so aligning reporting approaches with others (e.g., via shared reporting platforms) can help simplify the process. Insights from CEBA members suggest that good data quality comes from long-term engagement with suppliers and that customer companies should not expect perfection the first time.

Leading companies also use a balanced scorecard to help assess suppliers' sustainability actions in the procurement process and drive continuous improvement throughout the customer-supplier relationship. Scorecard assessments can employ a 'carrot' or 'stick' approach. Most companies find that a 'carrot' approach to reward supply chain partners for action is more effective than a 'stick' approach of punishment for inaction. Leading customer companies have also reported the need to train procurement professionals on how to initiate the sustainability conversation and that most have been open to the new element in the supply chain partner relationship. A balanced scorecard approach is one way to bring sustainability into the discussions.



Stage 3

External Planning Stages

Agreement in Principle

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The Agreement in Principle stage is when suppliers are first introduced to a customer's supply chain goals and given "the ask."

In large supply chains, corporates should consider first targeting partners in the countries and locations with feasible renewable options (for most, this is closely linked to cost) -- this is the top opportunity for near-term action. This tactical targeting requires internal education on the country's regulatory environment, corporate procurement options, and certificate system.

Once engagement has started, be clear on what your firm considers acceptable renewable resources. Suppliers are increasingly asked for commitments -- one of the primary drivers of action for suppliers -- and customer requests vary. Suppliers may not be focused on impact, like many of their corporate customers, and will likely treat the procurement like a compliance exercise. This is why it is important to be clear on what "renewable" means to your company and what documentation will be required for verification. Be prepared to clarify your requirements to your suppliers.

Stage 4

External Planning Stages

Supplier Commitments

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Building on the agreement in principle, customers will work with their supply chain partners to set a public commitment towards greater energy sustainability. Suppliers need a clear path to achieving sustainable energy goals and targets, including an understanding of the viable options, costs, and business rationale before making a commitment.

As with your own organization, setting a goal or target and making a public commitment is a significant step for supply chain partners and requires buy-in from the company's senior leadership. The scope of the challenge to a supplier to make a commitment is slightly improved by the customer making the request or establishing a requirement, particularly if you undertake a high volume of business with the supplier. Commitment setting by customer companies also encourages supply chain partners to act, as well as include commitments for the next tier of suppliers and cascade the interest in sustainable energy down the supply chain.

Companies actively engaging their supply chain partners have reported the key elements which need to be present and understood to secure a commitment, from the supplier's perspective. These are presented in the table:

Elements	Commentary
A path to achieving the commitment	Most companies will not make a public commitment without a plan of action and visibility into how to successfully achieve their goals.
A clear understanding of costs	For those whose core business is not in the renewable energy industry, or those without experience, it can be difficult to understand the different structures and costs to procure renewable energy and to convey this information to stakeholders.
Protecting the supplier's interests	To thrive in the modern supply chain is to excel at cutting costs without compromising quality; suppliers know that cost pressures could remove any savings created, like through energy efficiency measures, and need to understand how the investment return can be safeguarded.
Buy-in from the supplier's senior leadership	A solid, business-based rationale for action to drive the strategic imperative is essential to build a long-term energy transition within any company.
Alignment with the supplier's other stakeholders	The business case for a transaction is enhanced when other customers, employees, shareholders, and/or other stakeholders echo your message to increase energy sustainability.

For more information on securing supplier commitments and other stages of supplier engagement, see [CEBA's Supply Chain Partner Engagement Roadmap: A Guide to Approaches for Sustainable Energy Transitions](#).

Stage 5

External Planning Stages

Supporting Supplier Action

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In 2019, Anheuser-Busch launched Eclipse, a sustainability-dedicated collaboration platform developed for its network of suppliers and partners to facilitate shared goals and target-setting, standardized methods of measurement, and discussion of best practices. First-of-its-kind in the beverage industry, the platform was designed to not only help Anheuser-Busch reach its ambitious US 2025

Sustainability Goals, but also to share solutions and encourage sustainability among its colleagues and partners globally to drive meaningful change for the environment. To date, Anheuser-Busch has engaged suppliers that account for approximately two-thirds of the company's value chain emissions under the Eclipse platform.

The platform has enabled the company to accelerate action and share best practices for renewable electricity procurement by connecting its partners at Enel Green Power to sustainability professionals, program managers, and senior leaders from its key suppliers and wholesaler partners. Through webinars and participation in their annual Eclipse summit, Anheuser-Busch and Enel have co-developed distance learning resources to assist others in understanding how to adopt industrial-scale renewable electricity. These resources are available on the online Eclipse platform to support the foundation for advancement of renewable electricity across Anheuser-Busch's value chain and create a better world.



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In Q4 of 2020 General Motors (GM) launched its Suppliers' Energy Program. This initiative leverages in-house GM expertise and aims to bring suppliers with the company as it embarks on a journey to reach 100% renewable energy in the U.S. by 2030 and globally by 2040. We are dedicated to empowering and supporting GM suppliers and partners to reduce their energy consumption and start thinking of green energy as a viable option for their enterprises.

The program includes ongoing monthly webinars on a wide variety of energy management, water management, conservation, and goal setting topics. These events bring together government agencies, energy providers, and GM suppliers with the intent to foster continued conversation, all the while challenging stakeholders to set ambitious goals for energy reduction measures. Most exciting of all, these webinars are hosted and held by suppliers and companies/organizations currently supporting our tier 1 suppliers; these partners get to share their stories of success as well as challenges they face – allowing for open dialogue and collective improvements.

The second component of the Suppliers' Energy Program is a Virtual Treasure Hunt program aimed to drive energy and water reduction efforts at tier 1 supplier facilities. This program is built using the same framework of the Energy Treasure Hunt Program GM conducts across its own facilities. In 2020, the first Virtual Treasure Hunt was successfully completed with Lear. Through this engagement, GM was able to identify opportunities that could result in savings of 2,700 metric tons of CO₂e and 2,707 MWh of energy with recommended projects achieving a 0-2 year return on investment. This program has gained significant traction, and several more supplier partners are scheduled to participate in 2021. Through these activities, GM is continuing to build strong partnerships, share a culture of energy conservation, and work collaboratively to support continuous improvement efforts by its suppliers.

CEBA Supply Chain Resources

CEBA provides tools, resources, and engagement opportunities to help energy buyers and their supply chain partners procure renewable energy for their domestic and international load.

- As a Supply Chain Program Member, you can share the benefits of CEBA with your supply chain partners— including access to CEBA's educational resources, monthly buyers calls, and other community events for free for 90 days—and accelerate their decarbonization efforts through the [Supplier Offer](#).
- Join CEBA's [Future of Internet Power](#) or Future of Real Estate Power initiatives to help craft solutions to reduce your emissions from your data services and leased real estate.
- Join [Worldwide Wednesdays](#), a monthly virtual discussion series to share the latest developments and opportunities in renewable energy procurement in international markets of interest.
- Join CEBA's [International Connection Platform](#) to connect with peer buyers and NGOs in international markets of interest, and support your supply chain partners around the world.

Contact supplychain@cebuyers.org to learn more about how CEBA can support your renewable energy and supplier engagement goal.

About CEBA

A community of energy buyers accelerating the zero-carbon energy future – greening the grid for all

[Learn more about CEBA](#)

Contact Us

To provide feedback and/or questions, please contact:

supplychain@cebuyers.org.

Sector News and Updates

- Save the date: CEBA Virtual Member Summit 2021, May 4-20 – Stay tuned for more information on registration and sessions relating to supply chain engagement.
- CEBA Worldwide Wednesdays – China, April 21 [Register here](#)
- New [CDP Supply Chain Report](#) released

New CEBA Program

CEBA is launching Future of Real Estate Power (FoREP), a new program focused on developing solutions for landlords and tenants to accelerate renewable energy procurement in commercial real estate. The Commercial Real Estate Principles are FoREP's first resource supporting landlord-tenant collaboration to power real estate with renewable energy.

Contact supplychain@cebuyers.org to learn more about the Future of Real Estate Power program.