How will ESG performance shape your future?

EY OpsChain Environmental, Social & Governance (ESG)

Building a better working world

The better the question. The better the answer. The better the world works.

FAQs

EY OpsChain ESG solution provides a trusted platform for emissions and carbon credit traceability within an ecosystem using tokenization. This capability aims to drive decarbonization across a value chain by enabling emissions and carbon credit transparency.

What is blockchain?

Blockchain is a way to structure data without a central authority. It is a distributed database that hosts a continuously growing number of records. It stores records in blocks rather than collating them in a single file. Each block is "chained" to the next block, using cryptographic signatures; as a result, records cannot be revised, and any attempted changes are visible to all participants. This then becomes a ledger, which can be shared and corroborated by anyone with appropriate permissions.

Why do I need a blockchain-based solution for ESG reporting?

One of the guiding principles at EY, is that blockchains will do for business ecosystems what enterprise resource planning (ERP) did inside the enterprise. Detailed traceability allows tracking of emissions inventory and a better understanding of the impact of value chains in terms of carbon emissions. By using carbon credit tokens, either created or sourced on the market, companies can have real-time visibility into both their stocks and their actions toward a net-zero impact.

Why do I need to be concerned about Scope 3 emissions?

Scope 3 emissions refer to those not produced by the company. While organizations generally measure and control their Scope 1 and 2 emissions, Scope 3 emissions are under the control of outside suppliers or customers. Measuring Scope 3 emissions puts control back inside the company to allow for tracking activities across the entire business model – or value chain – from suppliers to end users. This also empowers companies to choose vendors and materials that meet their goals.

How can my organization avoid the greenwashing trap?

Transparent communication about sustainability is essential to avoid so-called green-washing. Consmer demand for sustainable products and services has rapidly increased in recent years. Terms, such as "sustainable," "green," "environmentally friendly," in product documentation or used in advertising raise the impression that sustainability is a characteristic of a product.

Facilitating that your organization can share its transparent progress in its commitments around emissions and use of carbon credits is critical in enhancing wider stakeholder trust.

How can blockchain support the voluntary carbon credit market?

Removals and offsetting should only be a subsidiary measure for the remaining emissions that could not otherwise be reduced. Significant challenges are faced by the carbon market, particularly with regards to the integrity of carbon credits. The industry faces claims of a severe lack of transparency, traceability and verifiability for corporate consumers and regulatory bodies. Blockchain-based APIs have the potential to improve verifiability and reduce transaction costs, and to a lesser degree address the permanence concerns of some projects.

Will sensitive data only be shared with relevant providers and is it tamper proof?

Blockchain uses secure encryption and, with additional security layers applied to it, sensitive data can be read only by relevant parties. This allows company data to remain private. Blockchain is tamper-evident, so if fraudulent transactions and tampering were to occur, the blockchain is very efficient at flagging it immediately without having to corrupt the existing data. Those transactions simply get rejected. However, a good governance model is required to support effective on-boarding of new participants.

What is driving this need for ESG transparency?

The global trend for ESG-focused regulation is growing. With the introduction of the Green Deal, the EU aims to increase transparency around sustainability reporting (i.e., the Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR)). In the US, the SEC recently proposed amendments that would require domestic and foreign registrants to include climate-related information in periodic reports. Guaranteeing regulators can access and easily understand this data is critical for organizations to ensure regulatory compliance.

How are EY teams standardizing the approach to emissions and carbon credit tokenization?

EY teams are supporting the Inter Work Alliance (part of the Global Blockchain Business Council) in developing a set of emissions-related tokenization standards. These include a Carbon Emissions Token (CET), representing a specified volume of metric tons of greenhouse gas (GHG) emissions, distinguishing GHG Protocol Scope and category of the emissions reported. CET tokens allow for traceability of emissions through the value chain. This enables total carbon emissions to be calculated and traced to sources.

Continuing the conversation

If you would like to learn more about OpsChain ESG and how it can help your organization, please contact the team below.

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