

GREENHOUSE GAS (GHG) MANAGEMENT & REPORTING

WHAT'S HAPPENING

Climate change is a significant issue of the 21st century and is recognized as a leading threat to global security. The Intergovernmental Panel on Climate Change (IPCC) recognizes the consequences of increased levels of greenhouse gases (GHG) within our atmosphere as a result of man's activities.



In 1997, 37 countries committed to reduce their GHG emissions under the Kyoto Protocol.

Since then, international institutions have launched numerous initiatives regarding climate change, in particular to encourage the reduction of fossil fuel-based energy consumption and to promote the use

of renewable energy sources. Legislative frameworks are evolving in several countries to drive further governmental and corporate action to reduce GHG emissions. These factors lead to increasing

obligations for companies, and to an increased burden and substantial costs for the aerospace value chain, due to the complexity and variability of the information and requirements needed.

WHAT ARE GREENHOUSE GASES?



Greenhouse gases are gases in the atmosphere such as water vapor, carbon dioxide, methane and nitrous oxide that can absorb infrared radiation, trapping heat in the atmosphere. The greenhouse effect means that emissions of greenhouse gases due to human activity attributes to global warming.



THE GREENHOUSE GAS PROTOCOL

The Greenhouse Gas Protocol (GHG Protocol) is a multi-stakeholder partnership of businesses, non-governmental organizations (NGOs), governments, and others convened by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Launched in 1998, the mission of the GHG Protocol is to develop internationally accepted greenhouse gas (GHG) accounting and reporting standards and tools, and to promote their adoption in order to achieve a low emissions economy worldwide.







IAEG's GHG Reporting Guidance

for the Aerospace Industry has the acknowledgement of the GHG Protocol, and we are currently seeking the same for the Purchased Goods and Services guidance.

SCOPE 1

Direct emissions from owned or controlled sources

CATEGORIES

- Company facilities
- Company vehicles

SCOPE 2

Indirect emissions from the generation of purchased energy

CATEGORIES

- Purchased electricity
- Steam
- Heating & cooling for own use

SCOPE 3

All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions

CATEGORIES

- Purchased goods/services
- Capital goods
- Fuel/energy related activities
- Transportation/distribution
- Waste generated in operations
- Business travel
- Employee commuting

- Leased assets
- Processing of sold products
- Use of sold products
- End-of-life treatment of sold products
- Franchises
- Investments

GHG PROTOCOL OVERVIEW

SCOPES AND EMISSIONS ACROSS THE VALUE CHAIN

CO₂ CH₄ N₂O HFCs PFCs SF₆ NF₃

SCOPE 1

DIRECT

GREENHOUSE GAS PROTOCOL

PURCHASED

GOODS/

SERVICÉS

CAPITAL

POTENTIALLY RELEVANT SCOPE 3 EMISSIONS FOR THE A&D INDUSTRY









SCOPE 3

INDIRECT





TREATMENT



ASSETS





FUEL/ENERGY

RELATED

ACTIVITIES

COMPANY VEHICLES

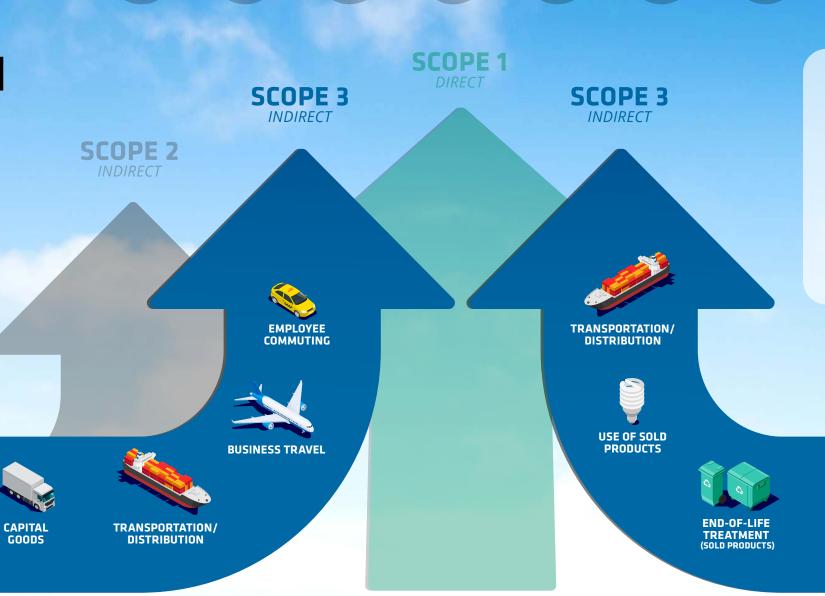
GHG PROTOCOL OVERVIEW

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GREENHOUSE GAS PROTOCOL

POTENTIALLY RELEVANT SCOPE 3 EMISSIONS FOR THE A&D INDUSTRY



UPSTREAM ACTIVITIES

PURCHASED

GOODS/SERVICES

REPORTING COMPANY

DOWNSTREAM ACTIVITIES

Within the Aerospace and

Defence industry, Scope 3 GHG emissions represent

the significant majority of

our footprint, particularly when considering use of sold products

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WHAT DOES GHG PROTOCOL MEAN TO A&D COMPANIES?

WHY YOU SHOULD CARE (RISKS):



Access to credit



Legal obligations in certain regions



Employee retention



Financial market requests



General market (stakeholder) interest



Loss of credibility and reputation



(CLICK FOR MORE INFORMATION)







GHG REPORTING GUIDANCE FOR THE AEROSPACE INDUSTRY

A Supplement to the GHG Protocol Corporate Accounting and Reporting Standard

This guidance is a voluntary consensus guide for aerospace companies and is a supplement to GHG Protocol's Corporate Standard. It provides industry-relevant clarification and direction for GHG accounting and reporting to promote consistency and accuracy in GHG emissions reporting to facilitate transparency within the industry and value chain and enable relevant benchmarks and comparisons.



AEROSPACE INDUSTRY TOOL FOR CALCULATING SCOPE 3 GREENHOUSE GAS EMISSIONS OF PURCHASED GOODS & SERVICES AND CAPITAL GOODS

These emission groups were determined as being the most relevant and the larger of the scope 3 categories for the Aerospace industry

Purchased Goods and Services examples:

- System assemblies
- Standard parts
- Structure parts
- Office consumables
- Raw materials
- · IT and financial services

Capital goods examples:

- Production equipment
- Vehicles
- Buildings
- Furniture and IT equipment

Spend Vs Mass Methodology:

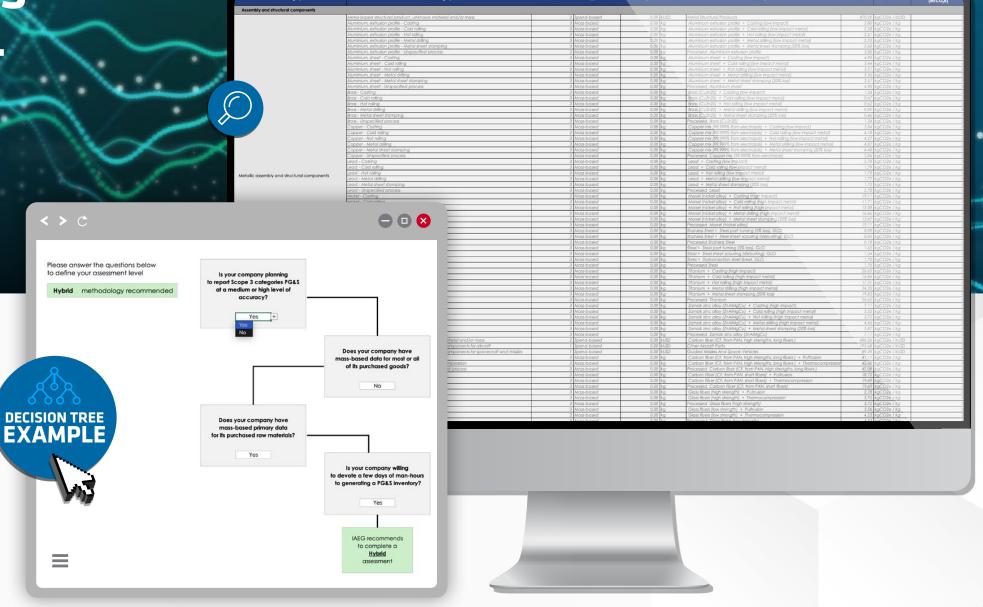
- The tool requires procurement data inputs in Mass (Kg) and/or Spend (\$ or Euro) dependant on the input
- Mass based data is more accurate, but a hybrid approach—utilising both data types can be used
- Some data points will only have a financial input, for example,
 \$ spent on consultancy services
- A decision tree is included in the tool to help users select the method most appropriate for them (see next page for detail)





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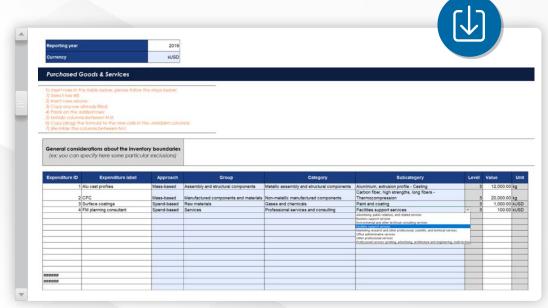
EMISSION FACTORS SELECTION

- · Where possible, the tool aims to use public sources of information for the emission factors
- Cradle-to-gate emission factors are used where available
- Geographic scope is the US, Europe, Japan, Brazil or China
- · Example of data bases include those such as DOD, BASE impacts, EIO-LCA
- The factors and tools are updated frequently to ensure accuracy, the first version was published in 2020 and is being updated in 2022 with revised factors and new categories

SCOPE 3 PURCHASED GOODS & SERVICES AND CAPITAL GOODS CALCULATION TOOL

TOOL INPUTS

- Users select product or service types from pre-populated drop down lists
- Up to three levels of categorisation so conversion factors used can be specific to the product or service
- Users then simply add the quantity of the mass or spend, based on the method they have selected or what is available
- \bullet Tool then auto calculates the emissions with the specific purchases



TOOL OUTPUTS

- Exports visually engaging charts and graphs to support business interpretation of the results
- Provides detail on tonnage of CO2 and percentage split between categories
- Highlights distribution of GHG emissions by decreasing significance
- Provides actionable outputs to track performance/trends, enabling targeted action within supply chain
- Supports users in responding to increasing stakeholder requirements such as CDP, DJSI and SBTI



FUTURE DEVELOPMENTS



Updates to the conversion factor and addition of new product types are being developed



The group is seeking WRI GHG Protocol accreditation as previously done with other guidance documents

SCOPE 3 CATEGORY 11

USE OF SOLD PRODUCTS

Scope 3, Category 11, "Use of Sold Products" is one of the most relevant Scope 3 emissions categories for many aerospace companies. It represents the projection of the future lifetime emissions from the use of goods and services sold by the reporting company in the reporting year.

IAEG developed an industry-specific methodology and guidance materials to promote consistency of reporting approaches within the industry.

The first issue of the guidance focuses on civil aviation applications (commercial aviation and business jets) and is meant to complement the GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard, and the GHG Protocol's Technical Guidance for Calculating Scope 3 Emissions—Category 11 Use of Sold Products, as well as the relevant sections of the ISO 14064-1 standard and ISO/TR 14069 guidance, where appropriate.

EMISSION TYPES

DIRECT USE PHASE EMISSIONS

Emissions from products that directly consume energy (fuels or electricity) during use.

Examples: emissions associated with fuel or electricity consumed by aircraft & engines, and emissions associated with energy (via engine offtakes) directly consumed by systems on board of the aircraft.

INDIRECT USE PHASE EMISSIONS

Emissions from products that indirectly consume energy (fuels or electricity) during use.

Examples: emissions associated with the use of aircraft interiors, landing gear and other systems. Their weight contributes to the overall fuel burn of the aircraft, and therefore results in indirect emissions for those systems (aircraft interiors, landing gears etc).



Determine organizational boundaries



For products or integrated systems at least partially attributable to activities within the organizational boundaries

Calculate whole aircraft lifetime emissions



Allocate whole aircraft lifetime emissions to relevant products in question based on product lifetime and an allocation method



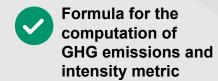
Report the portion of emissions defined by organizational boundaries

The guidance also provides equations to calculate an intensity metric expressed in gCO2e per Revenue Passenger Kilometer (RPK) or Revenue Tonne Kilometer (RTK) in order to show improvements in product performance over time

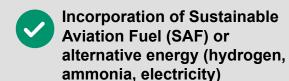
SCOPE 3 CATEGORY 11



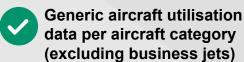














Practical examples to illustrate the application of the guidance

PILOT PHASE EARLY 2023

IAEG launches a pilot phase to gather further feedback from aerospace companies before public release of the guidance. Examples of applications of the guidance:

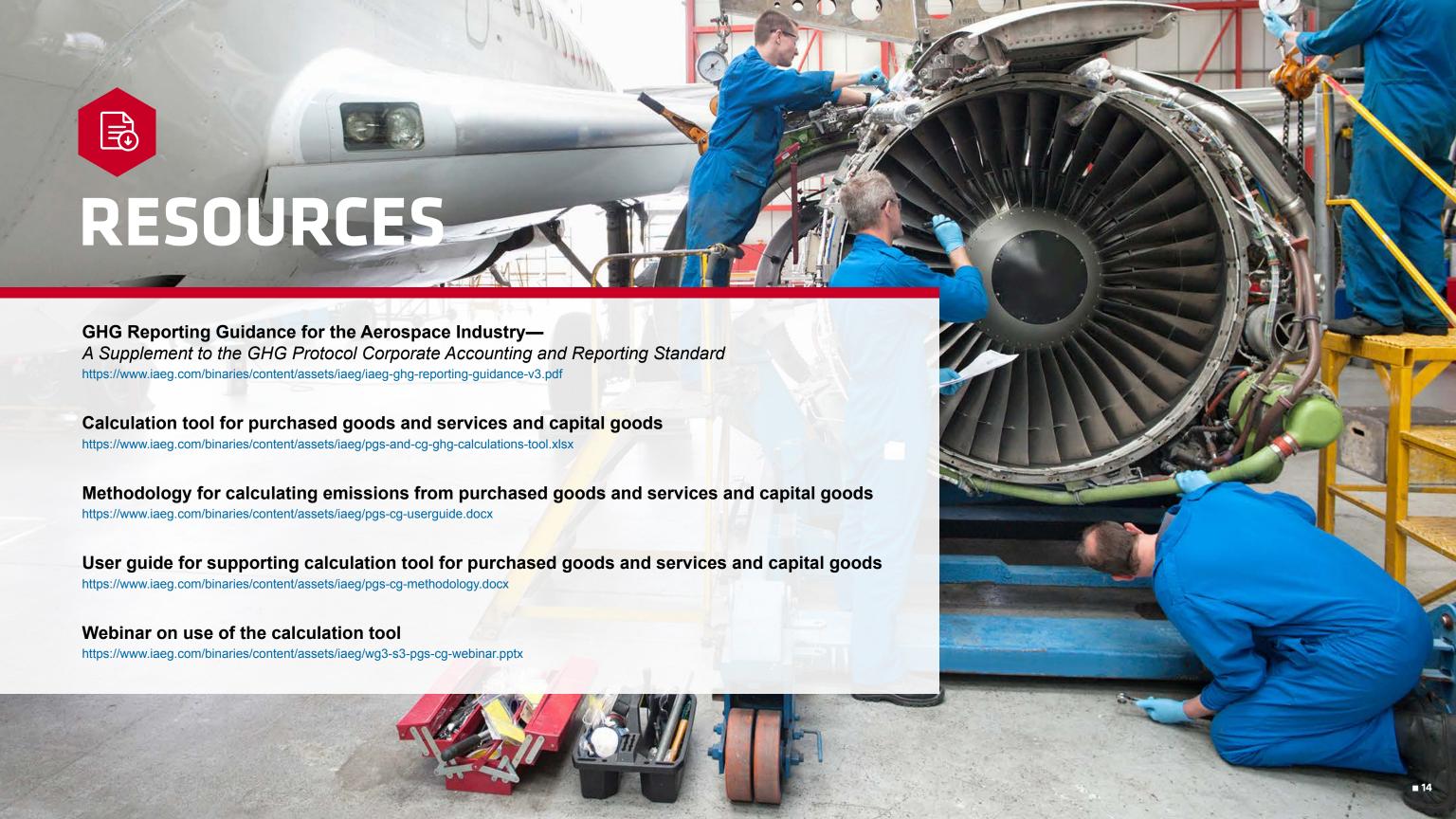
- Aircraft
- Engine
- Component with direct energy use (Environmental Control System, Electrical systems, Hydraulic systems, Auxiliary Power Units)
- Component without direct energy use (systems, aerostructures, cabin)
- Specific parts (mechanical parts)
- Standard parts (mechanical and electrical parts)



PLEASE CONTACT

claire.bodlenner-constans@airbus.com if you are interested in participating in this pilot phase.









SOLUTIONS
ACROSS THE
VALUE CHAIN



RESPONSIBLE &
SUSTAINABLE
AEROSPACE
INDUSTRY

A RECOGNIZED GLOBAL BODY FOR AEROSPACE & DEFENSE

MEMBER COMPANIES

OF GLOBAL AEROSPACE & DEFENSE INDUSTRY ARE IAEG MEMBERS

\$488 COMBINED ANNUAL 2020 REVENUES FOR IAEG (FULL) MEMBERS

5697B TOTAL GLOBAL AEROSPACE INDUSTRY 2020 REVENUES

IAEG Full Members

Airbus SAS

ATR

BAE Systems

Boeing

Bombardier

Dassault Aviation

De Havilland Aircraft of Canada Limited

Embraer

GE Aviation

GKN Aerospace

Gulfstream

Honda Aircraft Company, LLC

Honeywell

Howmet Aerospace

Huntsman Advanced Materials

Israel Aerospace Industry

L3Harris Technologies, Inc.

Leonardo Company

Lockheed Martin

Meggitt PLC

Northrop Grumman

Raytheon Technologies

Rolls-Royce

SAAB AB

SAFRAN

Spirit AeroSystems

Textron Inc.

Thales

3M Deutschland GmbH

IAEG Liaison Members

Airbus Canada

Airbus Defence and Space GmbH

Airbus Helicopters (Salamander)

Assent Compliance Inc.

Dassault Systemes Enovia

DXC Technology

Granta Design Ltd

Haley & Aldrich

Hangsterfer's Laboratories, Inc.

National Quality Assurance

Nobilus

Ramboll Environment & Health

Risk & Policy Analysts Ltd

SAFECHEM Europe GmbH

Souriau SAS

Tetra Tech

Yordas Group



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