

JBCE Position Paper on the OEF Methodological Guideline and Its Potential Implementation

## INTRODUCTION

*Introductory Section of JBCE (to be included by JBCE Secretariat)*

JBCE supports the overall objectives of the EU's Climate, Energy and Sustainable Consumption and Production policies. JBCE's member companies, including those from the ICT sector and the chemical industry, are willing to take their responsibilities by contributing to the transition to an energy-efficient, low carbon economy and indeed have already achieved excellent results in terms of emission reductions, energy and resource efficiency.

JBCE has taken note of the first draft of the OEF Methodological Guideline and believes that it is an important step towards improving the environmental performance of organisations. Nevertheless, as outlined in this paper, we have identified a number of concerns with both the Guideline itself and its potential uses. JBCE firmly believes that these that should in our opinion be addressed in order to make the OEF Methodological Guideline more workable and efficient for industry and also more beneficial for the environment.

## **SUMMARY OF KEY ARGUMENTS**

### **1. Limitations for Comparisons of OEF Assessments**

- **Comparison of the environmental performance of organisations should not be the major objective of OEF assessments for the following reasons:**
  - **The OEF Methodology should be applied in line with existing methodologies and should not pursue a different strategy by making comparison the main target of an OEF assessment.**
  - **Inconsistent data sets will lead to a distorted picture when comparing the environmental performances of organisations and pave the way for inaccurate and unfair competition.**

### **2. Organisation Environmental Footprint Sector Rules - OFSRs**

- **Sector definitions should be sufficiently narrow to take into account realistic environmental impacts of specific products/services.**
- **The development of OFSRs should be led by industry organisations with the pro-active participation of other relevant stakeholders within the EU and with the European Commission having a supervisory and potentially final decision making role.**

### **3. Prerequisites for OEF Reviews**

- **Reviewers should be accredited by external institutes who shall evaluate and certify the reviewer's qualifications according to the scoring system proposed in the Guideline.**
- **Well qualified reviewers might be too scarce to cover the actual review requirements of reporting organisations.**
- **Reviews by qualified internal reviewers should be permitted.**

### **4. JBCE Proposal**

- **The OEF Methodological Guideline should provide a harmonised approach for OEF and should allow the use of data generated to fulfil other regulatory requirements to minimize administrative and cost burdens for organisations. JBCE calls for a voluntary implementation of the OEF methodology that enables organisations to gain experience with the OEF methodology, set up an information gathering infrastructure and benefit from the availability of reliable sector related data as well as having better access to data bases.**
- **JBCE supports the review of this voluntary implementation with a view to consideration of potential further use of the Methodology at a suitable point in the future. Suitable measures should be based on the results of the voluntary use of the methodology.**
- **For JBCE Member Companies, but also for globally operating EU companies with production sites outside the EU, gathering specific organisational or upstream data will be an extremely cumbersome task depending on site locations. Special provisions for SMEs should also be developed.**

**JBCE strongly asks for creating a level playing field in the implementation of OEF/PEF Methodologies and avoiding any unjustified competitive disadvantages.**

## DISCUSSION

### 1. Limitations for Comparisons of OEF Assessments

The assessment of an organisation's environmental footprint (OEF) is governed by life cycle thinking and the basic rules of creating an LCA are applied. LCAs have proven to be a highly efficient and useful tool in helping companies to identify opportunities for improving their environmental performance as well as optimizing their products and services with regard to their environmental impacts. However, the purpose of LCAs and similar tools, such as the GHG Protocol Initiative, is not meant to be a comparison of organisations and their environmental performances. **JBCE believes that the OEF Methodology should be applied in line with existing (international) methodologies and should not pursue a different strategy and objective by making comparison of different organisations the main and final target of an OEF assessment.**

Even if comparison may be seen as a desirable goal to certain stakeholders, **JBCE firmly believes that the requirements for a fair and transparent comparison are not fulfilled by the OEF Methodology as described in the Guideline.** The main problems preventing a level playing field for comparisons of organisations' environmental performances are described below:

The initial steps in an OEF assessment are the definition of goals and scope of the OEF with the OEF scope definition consisting of a description of the organisation, the product/service portfolio and the system boundaries for OEF studies. **Large differences in organisations (size, number and location of productions sites) and product/service portfolios even in the same sector will deliver results that are unsuitable for comparison.**

According to the OEF Methodology the system boundaries of an OEF study should include all activities of the reporting organisation as well as 'significant' upstream and downstream activities. Data of the reporting organisation and significant upstream suppliers should be directly measured (specific) data. Significant downstream activities can still be covered by generic data.

The ICT industry, which produces highly complex products, will face a cumbersome task in gathering specific data from all upstream suppliers of parts and raw materials. On the other hand, the chemical industry as a supplier of intermediate products will face difficulties in identifying all downstream activities, since many applications of the substances/products they supply are confidential and therefore, downstream actors may be reluctant or even unwilling to provide the downstream data required for an OEF report. For intermediate suppliers the OEF Methodology offers a modelling approach as preferable solution.

Sector specific upstream or downstream data by OFSRs (Organisation Environmental Footprint Sector Rules) are suggested as another solution to the hurdle of data gathering in the supply chain, however, sectors will be defined by means of hierarchical NACE Codes that even provide very wide sector definitions at fourth level refining. As an example, NACE Code C20.1.6 stands for 'Manufacture of plastics in primary forms' and the sector specific rules and data would then have to be applied to manufacturers of any kind of plastics all the same, irrespective of whether they produce e.g. polyolefins, polyesters, PVC, polycarbonate or engineering plastics. **JBCE would therefore call for sector definitions that are narrow enough to take into account realistic environmental impacts of specific products/services.**

Even where, in case of lacking specific data in the supply chain, sector specific generic data or even modelling approaches are acceptable, this will not result in obtaining sufficiently

consistent and realistic data suitable for comparison. Modelling or sector specific approaches are based on assumptions and will never reflect actual environmental impacts, but lead to a high degree of uncertainty. Furthermore, organisations will potentially use different data or data bases in their OEF studies whose exact results will then be inappropriate for comparing the environmental footprint of organisations as those results will be strongly variable dependent.

Therefore, comparison of the environmental performance of organisations should not be the major objective of OEF assessments. **Inconsistent data sets will lead to a distorted picture of the environmental performances of organisations and pave the way for inaccurate and unfair comparison.**

For the reasons outlined above JBCE feels that it is too early to decide which end goals the methodology should be used for. JBCE advocates a voluntary implementation of OEF assessments as a tool to continuously improving the organisations' environmental impact of products and services internally and the setting of internal organisational targets for improvement as OEF study objectives.

## **2. Organisation Environmental Footprint Sector Rules - OFSRs**

As described in the previous section JBCE calls for sector definitions that are sufficiently narrow to take into account realistic environmental impacts of specific products/services.

JBCE strongly believes that the development of OFSRs should be led by industry organisations with the pro-active participation of other relevant stakeholders within the EU and with the European Commission having a supervisory and potentially final decision making role.

It will be crucial to ensure that the sector rules will be consistent with those of other sectors so that multi sectorial organisations will not face insurmountable problems in aggregating their organisation environmental footprint data.

## **3. Prerequisites for OEF Reviews**

The OEF Methodological Guideline requires: 'Whenever an OEF study is intended for external use, it shall be reviewed by an independent and qualified external reviewer'.

The objectives of such a critical review are to assure that:

1. The methods applied in the OEF study are consistent with the OEF methodological Guideline and at the same time scientifically and technically valid;
2. The data used are appropriate, reasonable and of sufficiently high quality;
3. The interpretation of results reflects the outcome and limitations and;
4. The study report is transparent, accurate and consistent.

To meet those objectives reviewers must have access to all parts of the OEF study including the confidential report.

If organisations are obliged to disclose sensitive confidential information to an external reviewer, they should be in a position to trust that reviewers are sufficiently qualified for the ambitious task of critically reviewing OEF studies. Whereas we fully support the scoring system for relevant competencies and experiences of reviewers we strongly object to accepting a reviewer self-declaration regarding their qualifications.

**JBCE strongly believes that reviewers should be accredited by external institutes following evaluation and certification of the reviewer's qualifications according to the scoring system.**

An independent evaluation of the qualifications of reviewers will help to avoid non-harmonized and intransparent reviewer self-declarations that may not always reflect their actual

qualifications. Organisations should be safeguarded against disclosing their OEF studies including confidential information to insufficiently qualified reviewers.

**JBCE is also concerned that the number of well qualified reviewers may be too low to cover the actual review requirements of reporting organisations.** Organisations not being able to publish their OEF studies due to a lack of accredited qualified reviewers may find themselves at a competitive disadvantage through no fault of their own.

Furthermore, it is still unclear whether reviews would only cover the reporting organisations or whether reviewers would also have to check upstream and downstream data which would mean disclosing the complete business structure of an organisation to the reviewer. We strongly object to fully disclosing such confidential information and we believe that detailed review of upstream and downstream supply chain data will not be manageable for the reviewers either.

**JBCE supports a provision to allow reviews being carried out by accredited internal reviewers which would solve confidentiality issues as well as the problem of a potential lack of accredited reviewers.**

#### **4. JBCE Proposal**

**JBCE expects the OEF Methodological Guideline to provide a harmonised approach for OEF assessments.** To avoid multiple data collection and increased administrative and cost burdens it should be possible to use the data collected in the course of an OEF study also for fulfilling other current and imminent legislation which requires the reporting of environmental data, such as: e.g. the proposed Energy Efficiency Directive (Article 7), the French Grenelle l'Environnement (Article 75), the CRC Energy Efficiency scheme in the UK.

**JBCE calls for a voluntary implementation of the OEF methodology** to enable organisations to gain experience with OEF studies, set up the necessary information gathering infrastructure and benefit from the availability of reliable sector related data, as well as having better access to data bases.

**JBCE supports the future review of these voluntary actions** with a view to a consideration of further suitable uses of the OEF methodology based on the results of this review of the voluntary use of the methodology.

**For JBCE Member Companies, but also for globally operating EU companies with production sites outside the EU, gathering specific organisational or upstream data will be an extremely cumbersome task depending on site locations. Special provisions for SMEs should also be developed.**

**JBCE strongly asks for creating a level playing field in the implementation of OEF/PEF Methodologies and avoiding any unjustified competitive disadvantages.**