



GLOBAL WEALTH MANAGEMENT

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SCOPE 3 ACCOUNTABILITY: ARCHITECTING DECARBONIZATION FOR EUROPEAN ENTERPRISES

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SCOPE 3 ACCOUNTABILITY: ARCHITECTING DECARBONIZATION FOR EUROPEAN ENTERPRISES

Decarbonization has become a central strategic priority for European enterprises, driven by regulatory pressure, investor expectations, and market shifts. This paper examines how companies are setting and implementing emission reduction strategies, with a particular focus on Scope 3 emissions, which often represent the largest share of corporate carbon footprints yet remain the hardest to manage.

By analysing corporate practices alongside European Union policies such as the European Green Deal and Fit for 55, the paper highlights emerging trends in target-setting, strategy development, and implementation. It finds that while companies are making progress in reducing direct emissions, Scope 3 emissions remain the most significant challenge, requiring collaboration across entire value chains.

1. Introduction

Climate change has increasingly forced both governments and businesses to act. For European enterprises, this has led to a fundamental shift in how value is created, supply chains are managed, and long-term success is defined. Many firms have now committed to achieving net-zero emissions by 2050.

The challenge extends beyond direct emissions. While companies can control emissions from their own operations (Scope 1 and 2), the majority of emissions often come from Scope 3 sources—those embedded in supply chains, logistics, and product use. These can account for over 80% of total emissions, making them critical yet difficult to manage.

To address this, companies are adopting science-based targets, investing in renewable energy, engaging suppliers, and using digital tools for carbon tracking. This paper explores how these strategies are evolving and where key gaps remain.

2. EU Policy Framework Driving Decarbonization

European corporate decarbonization is strongly shaped by government following two policies that require and encourage emission reductions:

- **European Green Deal**

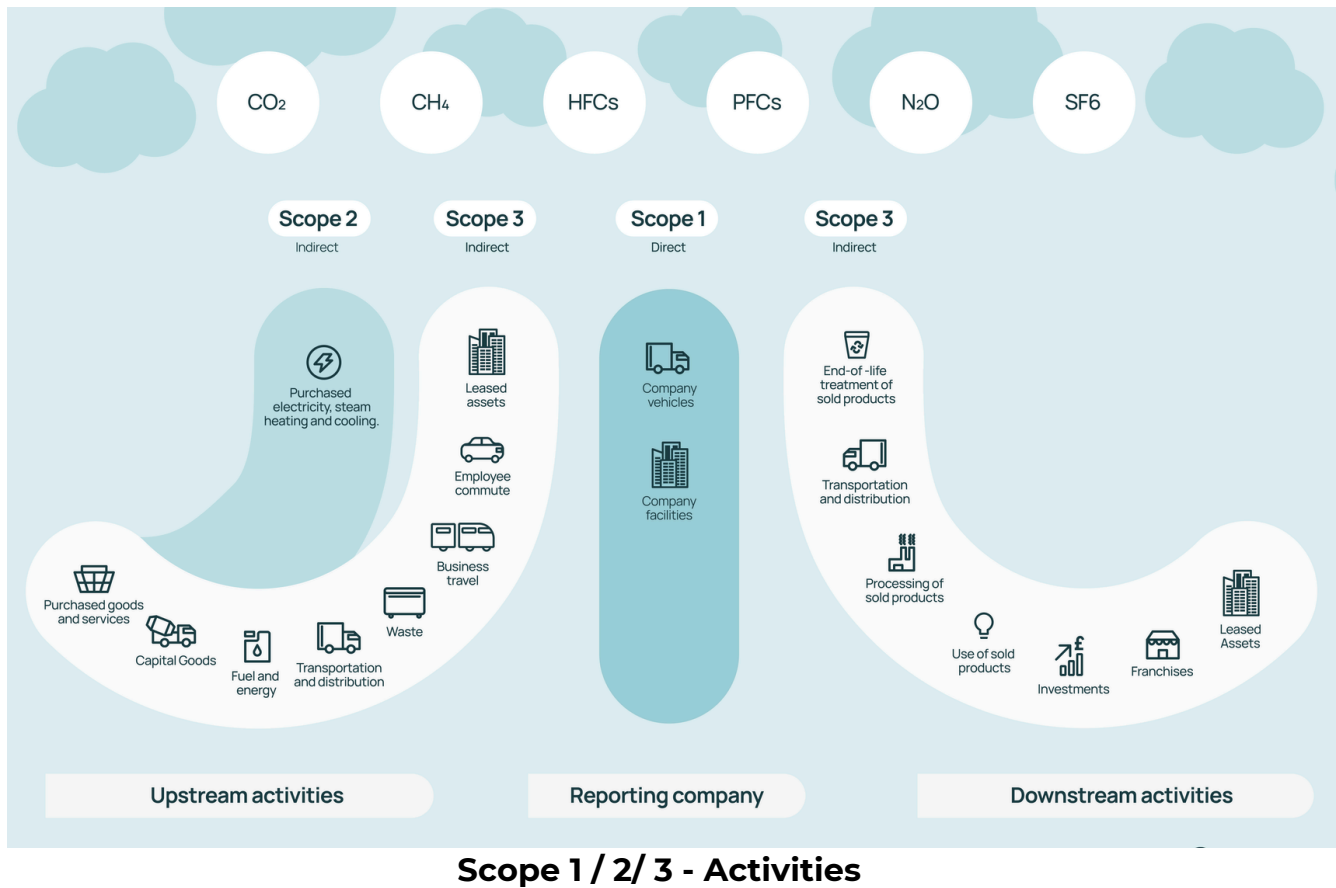
Introduced in 2019, the European Green Deal aims to make Europe climate-neutral by 2050. It integrates sustainability into all areas of the economy, making emission reduction essential for business competitiveness and growth.

- **Fit for 55 Package**

This policy framework targets a 55% reduction in emissions by 2030. It introduces stricter regulations, including higher carbon costs, increased renewable energy use, and improved efficiency standards.

3. Understanding Emission Scope/Classification/ Illustrative Examples

Scope 1	Direct Emissions	Factory fuel combustion, company-owned vehicles
Scope 2	Indirect (Purchased Energy)	Electricity procured from the grid
Scope 3	Indirect (Value Chain)	Supplier emissions, logistics, product end-use



4. Corporate Decarbonization Targets

European companies are increasingly setting scope-specific targets rather than single overall goals, improving transparency and accountability.

- **Short-Term (2030)**

European companies aim to cut 70–75% of direct emissions (Scope 1 and 2) and about 40% of indirect emissions (Scope 3) by 2030. To do this, they focus on practical steps they can control, like improving energy efficiency, switching to electric vehicles and processes, and using renewable energy. These actions are easier to implement and show results quickly.

- **Medium-Term (2040)**

By 2040, companies aim to cut about 90% of direct emissions (Scope 1 and 2) and switch almost completely to renewable energy. They also focus more on reducing supply chain emissions (Scope 3) by working closely with suppliers and making sustainability an important part of purchasing decisions.

- **Long-Term (2050)**

By 2050, companies aim for net-zero emissions across all areas, with at least 90% reduction in Scope 3 emissions. This will require major changes, including redesigning products to be low-carbon, making entire supply chains more sustainable, and working together across industries. Companies are also setting separate targets for each emission type, which makes their progress clearer and more accountable.

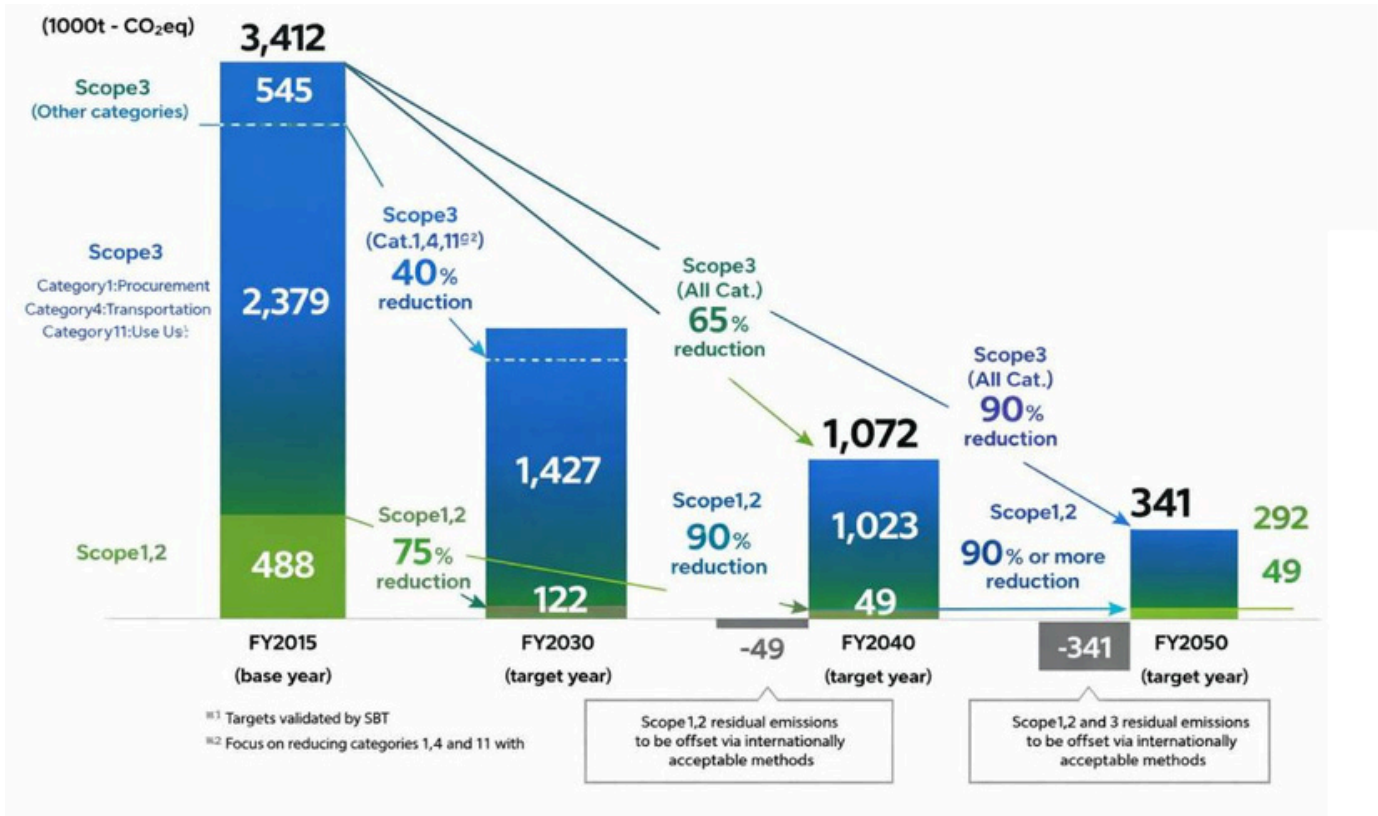
5. Scope 3 Emissions: The Core Challenge

Scope 3 emissions are the most significant barrier to corporate decarbonization.

Key Categories

- Purchased goods and services (supply chain emissions)
- Transportation and distribution (logistics emissions)
- Use of sold products (customer-related emissions)

These emissions are difficult to control because they occur outside the company’s direct operations.



Net Zero Target 2050

6. Decarbonization Pathways

Companies are developing structured roadmaps to achieve emission targets over time.

- **Short-Term Pathways (to 2030):**

In the short term, companies focus on actions they can control. This includes improving energy efficiency, switching to electric systems for heating, transport, and manufacturing, and using renewable electricity. These steps are cost-effective, show quick results, and help companies reduce emissions while also benefiting from more stable energy costs.

- **Medium-Term Pathways (to 2040):**

By 2040, companies focus on deeper emission cuts using newer technologies like hydrogen-based processes and carbon capture. They also work on making their supply chains more sustainable, as stricter regulations and procurement standards push them to choose greener suppliers.

- **Long-Term Pathways (to 2050):**

By 2050, the goal is to reduce emissions across the entire product lifecycle—from raw materials to end use. This requires new technologies, redesigning products and business models, and strong collaboration between companies, suppliers, and even competitors. Achieving net zero will depend on working together, not acting alone.

7. Discussion:

European companies have made good progress in reducing emissions by setting clear targets and improving sustainability strategies, but the biggest challenge—Scope 3 emissions—still remains.

The main problem is that Scope 3 emissions are the largest share of emissions, yet companies have the least control over them. To solve this, businesses need to go beyond working alone and start collaborating with suppliers, customers, other companies, and governments.

This is not just a technical issue but also about management and coordination. Companies need better systems, rules, and data to work together effectively. Those that invest in supply chain partnerships and better carbon tracking are not just following rules—they are helping build a truly low-carbon economy.

8. Conclusion

Decarbonization in European enterprises is a long-term transformation shaped by regulation, stakeholder expectations, and strategic opportunities. While policies like the European Green Deal and Fit for 55 provide a strong foundation, success ultimately depends on how effectively companies implement their strategies. Scope 3 emissions emerge as the defining challenge due to their scale and complexity. Addressing them requires collaboration, transparency, and innovation across entire value chains.

In the future, the most successful companies will not only reduce their own emissions but also lead decarbonization across their ecosystems. Achieving net zero is therefore not just about reducing emissions it is about fundamentally reshaping how business operates.

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