

September 2024

Catalysing climate action

The role of professional service providers
in realizing a net-zero future



RACE TO ZERO

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PSPWG Co-Chairs

Alexis McGivern and Ranjita Rajan

PSPWG participants from:

Oxford Net-Zero, Legal Charter 1.5, ClientEarth, Climate Action for Associations, Pledge to Net Zero, Planet Mark, Exponential Roadmap Initiative, and Purpose Disruptors

Race to Zero Expert Peer Review Group Co-Chairs:

Prof. Tom Hale and Peter Boyd

Facilitators:

Tessa Ferry, Race to Zero Lead, Saurabh Jain, Race to Zero EPRG Manager (former), and Camila Fernandez, Race to Zero EPRG Manager (current).

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Advancing the conversation on serviced emissions

Reaching net zero emissions no later than 2050 will require an approach that involves every sector of society and the economy. All actors must innovate, explore new frontiers of leadership, plan for the transition ahead and adapt their business models accordingly.

Increasing attention is being paid to the role of how Professional Service Providers (PSP) can help accelerate the transition to net zero emissions. The United Nations Secretary General recently called for a ban on fossil fuel advertising, suggesting that advertising and public relations (PR) companies disengage from their clients with heavy fossil fuel usage. To date, PSPs' direct emissions have tended to be lower than those of firms in other industries. However, because services have an enormous influence on the overall economy, advancing best practices for service providers represents a tremendous opportunity to advance climate goals.

This is an emerging topic that all actors can help advance, from PSPs taking action on Serviced Emissions, to non-state actors such as businesses reviewing their procurement strategies and engagement with PSPs. Cities and subnational governments can exercise their regulatory powers; civil society can engage as part of leadership and accountability action; and standards bodies, academics and technical organizations can develop sectoral guidance, accounting principles and methodologies. We welcome everyone to join this critical journey at this early stage.

Background

As part of its commitment to advancing the frontier of net zero leadership, [Race to Zero](#) and its [Expert Peer Review Group](#) (EPRG) convened a Professional Service Providers Working Group (PSPWG) from June 2023 onwards¹.

This group developed a “for consultation” discussion paper on opportunities to align PSP’s provision of services and advice with the 1.5C goal, and to explore emerging best practice regarding Serviced Emissions. To avoid overlap with Financed Emissions, the group did not specifically consider financial service providers.

The PSPWG’s aim was to introduce Serviced Emissions - still a “work in progress” concept into the climate ecosystem, to catalyse testing, refinement and adoption by others in the process of moving towards relevant standards and regulations.

The PSPWG recognized the importance of a methodology/ies for measuring serviced emissions. However, developing such an approach requires much more specificity across the different types of services provided. This was beyond the scope of the working group and is best taken forward by, or integrated with the work of, existing standards bodies and/or sectoral initiatives.

¹ The PSPWG work builds on the [EPRG’s interpretation guide](#) which includes additional information on how the Race to Zero criteria apply to specific types of entities - including reference to emissions associated with the provision of services. This also relates to Race to Zero’s existing [Proceed](#) and [Persuade](#) criteria.

Taking early action

This report, which follows from the consultation on the above mentioned discussion paper, sets out (a) the case for action for PSPs (b) case examples and (c) action areas which set out ways in which PSPs can engage with Serviced Emissions.

The report’s action areas propose ways for PSPs to engage with the concept of ‘Serviced Emissions’ - including as part of a continuous improvement model. They build on suggestions made during the consultation.

While the action areas are designed to be applicable globally, their adoption will be influenced by local contexts and resource and capacity limitations, particularly in developing economies and amongst small and medium enterprises. The PSPWG recognized the importance of PSPs immediate engagement in the ideation and voluntary action stages, because businesses, investors and policy makers all need advice to deliver the changes needed to reach the goals of the Paris Agreement.

Professional Service Providers

A PSP is an organization, individual, or department that sells a service (rather than a physical product) based on its expertise in a specific field. PSPs work with companies or consumers in a variety of industries and subsectors, both public and private. Examples include consultants, advisors, lawyers, advertising firms and PR firms.

Serviced Emissions (or Advised or Advertised)

Serviced Emissions are the greenhouse gas (GHG) emissions arising from or impacted by client activities that are informed and/or enabled by the advice and/or services of a professional service provider.²

² Serviced Emissions, Advertised Emissions, Advised Emissions, scope 4, scope X emissions were suggested as ways to describe such emissions. The working group proposed a simplified definition.

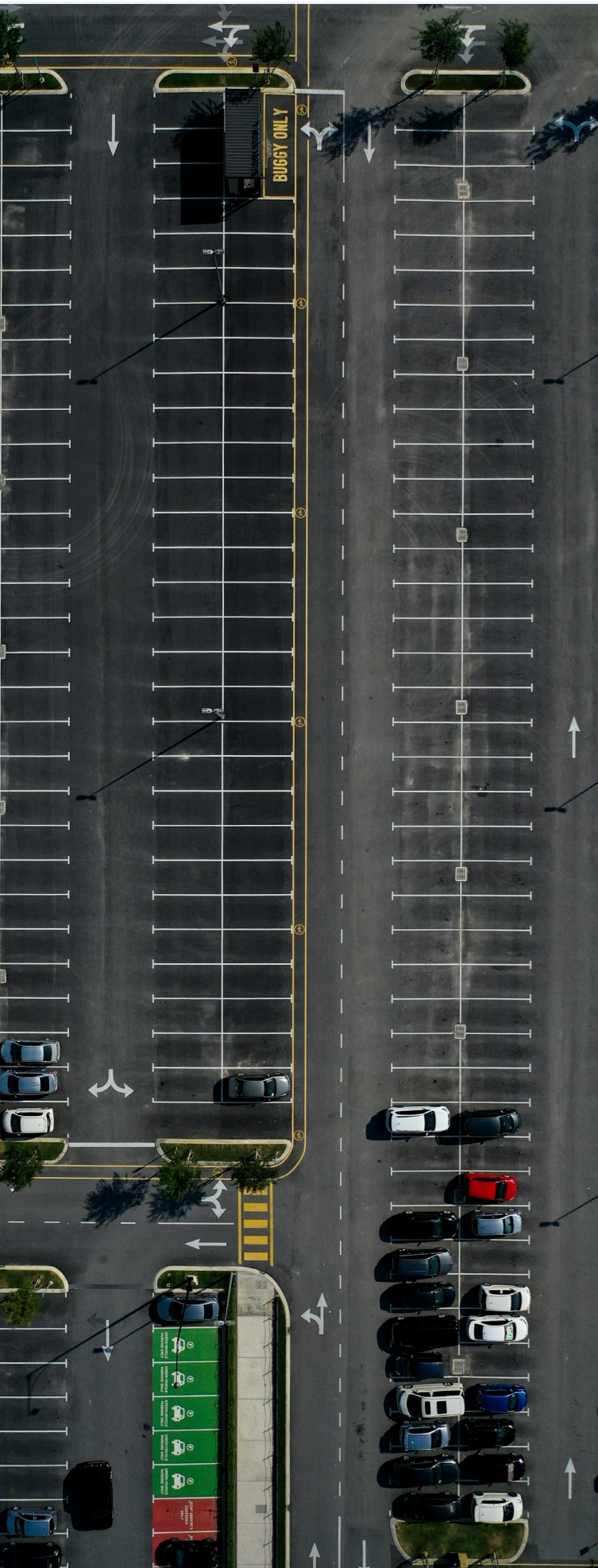


Professional Service Providers (PSPs) as catalysts of change?

PSPs³ play an important role as force multipliers, capable of and influence propelling exponential change in the “real economy”. PSPs, which can range include consultancy firms, advisors, lawyers, advertisers, accountants, architects, and PR firms, and others, have a considerable opportunity to drive the transition towards a 1.5 °C future. Through their provision of advice and/or services, they can significantly influence their client’s strategies and actions, enabling system transformation across critical sectors of the economy. Serviced Emissions are likely to be the main type of GHG emissions associated with PSPs.

PSPs business models are often predicated on their ability to influence their clients’ business prospects, and PSP’s commercial success, longevity and reputation are largely dependent on this ability. The nature of their influence on clients’ business may have different characteristics for different PSPs and/or client relationships. Common to all, however, is that PSPs have the capacity to influence their clients and that PSPs committed to the Paris Agreement goal of limiting the global temperature increases to 1.5°C can embrace the opportunity to use, as well as the responsibility for using their influence for positive effect.

³The Intergovernmental Panel on Climate Change has recognised that “middle actors – professionals, experts, and regulators – play a crucial, albeit underestimated and underutilised, role in establishing low-carbon standards and practices”- IPCC AR6 WGIII Technical Summary, p.121:IP-CC_AR6_WGIII_TechnicalSummary.pdf.



Current landscape

While existing GHG accounting principles do not adequately capture 'Serviced Emissions',⁴ there are increasing examples of action being taken in this area (see case studies below and more examples on our [website](#) based on an initial mapping exercise). The need to address serviced emissions follows logically from the consensus on credible criteria around net zero and the significant influence of service providers on the wider economy. The question is not whether but how to address this critical area of climate action.

Current best practice guidance and reporting frameworks developed by the Greenhouse Gas Protocol, CDP and SBTi acknowledge the role of service providers. However, they have yet to clarify the operational boundaries of how a PSP should inventory its clients GHG emissions. Under existing guidance, PSPs have significant discretion to draw the boundaries of their inventories in more or less ambitious ways. Given this context, leadership in acknowledging the role of advice on facilitating emissions is important, and potentially catalytic in unleashing the transition to net-zero.

⁴ The The Greenhouse Gas Protocol, the international standard for corporate accounting and reporting emissions, includes language around services as Scope 3 "indirect GHG emissions". It also includes short guidance on the 'identification and quantification of relevant secondary effects', i.e., the 'small, unintended GHG consequences of a project'. However, this does not adequately address areas of work where relevant secondary effects are apparent from the outset, i.e., servicing a client to facilitate a high-emissions project. It also does not capture how much of the unintended GHG consequences of a project should be inventoried by the PSP. GHGP does not indicate or capture the impact of advice under Scope 3 emissions guidance for service sector organizations. SBTi, which defines and promotes best practice in science-based target setting, directs professional services firms to review guidance on different sectors when setting pathways, rather than include guidance for PSPs and their influence. Additionally, SBTi does not currently validate targets for companies that derive 50% more of their revenue from the sale, transmission and distribution of fossil fuels, or by providing equipment or services to fossil fuel companies. CDP, the global disclosure system, which provides guidance on reporting, does not include any category on influence or advice in their Scope 3 reporting guidance.

Business case for action

By engaging with the concept of Serviced Emissions, PSPs have the opportunity to direct services and actions towards activities that contribute to the reduction of or make the smallest possible contribution to GHG emissions, as well as scaling the systems needed for a resilient net-zero future. This may require PSPs to transform their service offerings and client portfolio mix to ensure that the impacts of the services offered are aligned with the goal of achieving a 1.5°C future and provide opportunities to gain new business and manage risks (legal and reputational).

Opportunities gained from considering Serviced Emissions include:

Enhancing brand value/ differentiation and establishing a leadership position.

Building new relationships with clients committed to delivering and thriving by limiting the global temperature rise increase to 1.5°C and developing service offerings that reflect this commitment, attracting investors and investment aligned with the goal of achieving a 1.5°C future.

Aligning environmental and social ambitions with financial performance.

Preparing to meet potential client procurement requirements.

Getting ahead of changes in standards and potential regulation, thus enhancing organizational resilience and longevity.

Increasing employee attraction and retention.

Meeting existing obligations such as those set out in the United Nations Guiding Principles on Business and Human Rights and supporting delivery of the Sustainable Development Goals.

Increased ability to seize opportunities for collaboration within and across sectors and for representative bodies of professional services to take a coordinating role in Serviced Emissions for the benefit of their membership, individually and collectively.

Potential risks from not considering Serviced Emissions:

Increased risk of damage to reputation and adverse impact on brand:

1. Potential to be the last mover in an area of global action.
2. Loss of revenue from climate-leading clients as a result of association with high-carbon clients.
3. Increased talent attrition.

Increased legal liability for the advice and services offered, in line with increased regulation and litigation on climate claims and policies.

Misalignment with other corporate efforts to mitigate climate physical risk exposure.

Increased financial liability from stranded assets/ industries/clients.



Case Studies: Driving the Climate Transition in Professional Services⁵

⁵ All case studies were provided by the lead organization listed in the heading and approved for use in this publication.

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Because the economy can't move unless services move with it, this framework can help service providers play their critical role in the race to net zero.”

Thomas Hale and Peter Boyd
Co-Chairs
Race to Zero Expert Peer Review Group

Corporate Knights: Integrity in Climate Communications

Advertising and public relations agencies have an important impact on public support for the energy transition. Climate positive companies represent most revenue earned by agencies and collectively have the purchasing power to shift agencies' activities and clients towards alignment with the Paris Agreement. However, the persistence of negative climate communications and greenwashing activities by some agencies continue to erode consumer confidence in the energy transition.

To support climate goals and counter misinformation, Corporate Knights is supporting Global 100 companies to ensure climate integrity in their service provider contracts through the engagement with the [Action Declaration on Climate Policy Engagement](#). Companies signing on to the declaration are updating their procurement language for communications service providers, including advertising, public and government relations agencies to require disclosure of how their work is aligned with the Paris Agreement.

Exponential Roadmap Initiative

The Exponential Roadmap Initiative, in collaboration with AFRY and Futerra, has developed the [Professional Services Matrix \(PSM\)](#) to help companies assess portfolios based on customers' alignment with the 1.5°C ambition and the potential climate impacts of their projects. The PSM supports decision-making, customer selection, and project prioritisation, empowering firms to identify and pursue opportunities that contribute directly to the 1.5°C ambition. Initial implementation by AFRY and Futerra has shown the PSM's potential in identifying areas

for strategic improvement. Pilots with other professional services firms are further refining its impact, ensuring applicability across varying company sizes and portfolios while considering automation for scalability.

Purpose Disruptors: Catalysing Change in the Advertising Industry

Purpose Disruptors is a global organization with a mission to catalyse the industry's climate transition. They have introduced the concept of Advertised Emissions, a specific application of Serviced Emissions within the advertising sector. Advertised Emissions refer to the greenhouse gas (GHG) emissions resulting from the increase in sales driven by advertising efforts. This approach, which exemplifies the application of the Action Areas, has been adopted by two global agencies: M&C Saatchi, and OLIVER. Between them they have done the following:

Strategy: Recognised their influence on emissions and evaluated client portfolios using tools like Futerra's Client Disclosure Report to disclose revenue from fossil fuel companies and high-carbon clients.

Due Diligence and Risk: Embedded climate considerations in their risk and due diligence

processes for new clients, using a three-step check to evaluate climate commitments, emissions reduction, target setting, reporting, industry lobbying, and performance in human rights and DE&I.

Governance: As members of the Advertised Emissions Working Group, contributed to the development and refinement of the Advertised Emissions methodology.

Impact Measurement and Reporting: Identified that the Advertised Emissions for their top 20 clients were around 42 times higher than their operational emissions.

Systems Change: Encouraged peers to engage with Advertised Emissions by contributing to the Advertised Emissions Learning Experiment Case Study, promoting broader industry adoption.

Legal Charter 1.5: Leading Law Firms and Advised Emissions

Over a dozen international law firms have come together under the [Legal Charter 1.5](#) to address the critical need to limit global temperature increases to no more than 1.5°C. This group recognises that their Advised Emissions—the emissions they can influence through the services they provide—are a significant factor in their climate impact.

The focus has been on developing effective ways to reduce emissions over time - using the information to better serve clients, shape service offerings, and make strategic decisions in the absence of pre-existing methodologies.

Work has begun using a consistent, simple approach, where instructions are allocated to one of four pots to give a crude sense of the mix of work a firm undertakes.

Each firm will make its own judgments about instructions, and what it reveals to them will inform its own independent decision-making about future business decisions—though in the context of criticality outlined above. This classification tool is being piloted by participating law firms to issue a toolkit early in 2025 for others to test and improve.



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Reaching net zero emissions by 2050 requires a comprehensive approach involving all sectors of the economy and society. Professional service providers have a crucial role to play in this effort. By adopting best practices and incorporating Serviced Emissions into their business models, these providers can make a significant contribution to the transition towards a sustainable and resilient global economy for all. We must continue to innovate and adjust our strategies to ensure that they align with the goal of limiting global warming to 1.5°C. This will make the transition ahead a reality, not just a possibility.”

Nigar Arpadarai
UN Climate Change
High-Level Champion, COP29

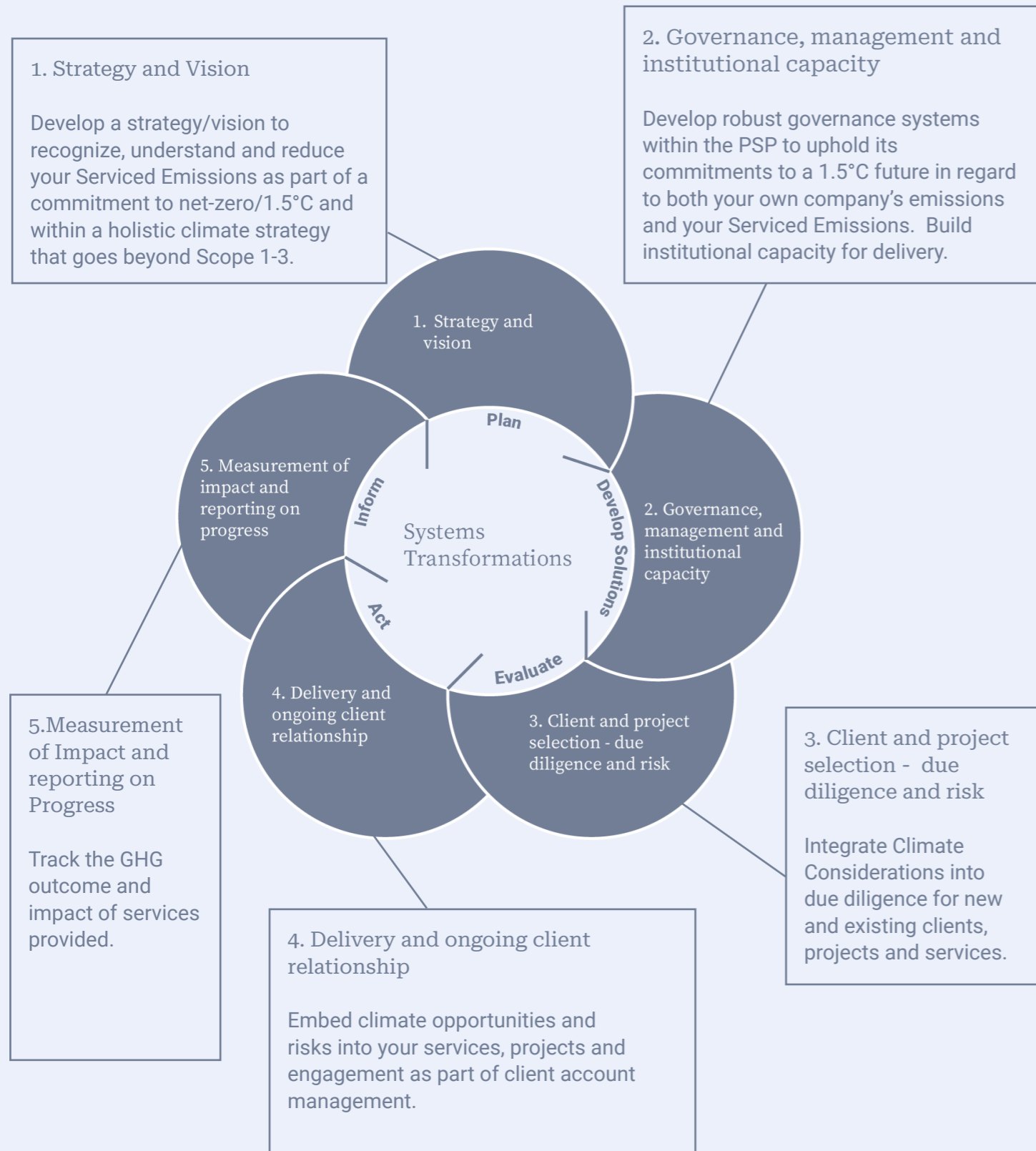
Action Areas



These action areas were developed by the PSPWG, taking account of the consultation, to suggest ways in which PSPs can engage with the concept of Served Emissions and take such emissions into account in their day-to-day business practices for the benefit of both their organization and their stakeholders. The areas are not exhaustive; rather, they serve as inspiration for PSPs wishing to strengthen their role in accelerating decisive and evidence-based climate action. The adoption of the action areas may vary between different sectors and jurisdictions.

They relate to activities in which all PSPs are already engaged of which some are, internal and others external, and suggest ways to expand these to activities to incorporate the concept of Served Emissions. It is not expected that every PSP will adopt every proposed element.

Serviced Emissions continuous improvement cycle



1. Strategy and vision

What:

Develop a strategy/vision to recognize, understand and reduce your Serviced Emissions as part of a commitment to net-zero/1.5°C and within a holistic climate strategy that goes beyond Scope 1-3.

- How:**
- Adopt the concept of Serviced Emissions within your organization recognizing that as trusted advisors, PSPs can influence the scale and speed of their clients' emissions. The nature of this influence is based on the clients you choose to work with and the unique skills you offer that could result in more or less emissions from your clients.
 - In line with emerging best practices, map clients, services and projects to create an inventory of clients against proxy indicators such as the nature and sector of the client, the nature of the client relationship, the nature of the service/ project, the scale and scope of the service/project, and the source of revenue. Where appropriate, publish this map - anonymized where necessary.
 - Identify (a) the matters on which you advise that result in high emissions, (b) the matters on which you advise that already support transition to net-zero, and (c) where you have greatest potential in terms of influence and emissions to make a positive difference. Reflect the results in your business development plans, identifying opportunities to create distinct competencies in your organization that could help your clients pursue a net-zero strategy.
 - Using this map, set engagement targets for reducing Serviced Emissions.
 - As part of a holistic strategy, plan for the decline or transition of high carbon sectors as part of the global net zero transition and in line with the scientific consensus on the global effort needed to limit warming to 1.5°C with no or limited overshoot. Recognizing that this requires phasing down and out all unabated fossil fuels as part of a just global transition.

2. Governance, management and institutional capacity

What:

Develop robust governance systems within the PSP to uphold its commitments to a 1.5°C future in regard to both your own company's emissions and your Serviced Emissions. Build institutional capacity for delivery.

How:

- Develop new frameworks and offerings for services to take account of serviced emissions.
- Appoint a leader or leadership group with board-level oversight who can provide (or has access to) robust knowledge of climate risks, impacts and opportunities.
- Align all PSP-wide incentive structures with climate-related emission reduction targets, including bonuses, share and commission schemes and performance reviews. Consider formulating employment policies that acknowledge staff may not want to do high-emitting work and how the PSP will address this.
- Invest in high-quality training in climate issues, including training provided by association networks, to ensure that staff are sufficiently aware of the potential climate impact of their work with clients and climate risks. This should include due diligence and risk assessments.



“Professional service providers (PSPs) have the power to supercharge the global net zero transition by aligning client advice with 1.5°C goals. This influence has been largely unaddressed by existing net zero guidance. These Principles address this vital gap, benefiting from diverse expert contributions, and providing a springboard for PSPs ready to lead on climate.”

Ranjita Rajan and Alexis McGivern

Co-Chairs,
Professional Service Providers Working Group

3. Client and project selection - due diligence and risk

What:

Integrate climate considerations into due diligence for new and existing clients, projects and services.^{6 7}

How:

- Embed climate considerations into due diligence and risk assessment processes⁸ for new clients and projects across your business as part of ongoing assessments in line with your established procedures. This could include the following:
 - Embed climate considerations into client and project screening and acceptance.
 - As client/project work progresses and its (potential) alignment with the net zero transition becomes clearer, regularly update risk assessments to reflect new insights or changes in project alignment with climate goals. This may include requiring additional information from potential clients as part of take on/acceptance procedures.
 - Identify and assess clients' progress in transitioning to a 1.5°C future including considering how clients are engaging in climate policymaking and whether they support policies in line with achieving net-zero emissions by 2050.
- Identify emission reduction opportunities that could be realized through the provision of your service(s) or advice.
- Define a risk management strategy including risk appetite related to Serviced Emissions.
- Establish escalation procedures and protocols for scenarios in which service engagements do not contribute to the broader goals aligned with the 1.5 °C- transition. These procedures should outline a clear course of action, including the reinforcement of engagement approaches and, if necessary, the strategic reassessment of client relations and guidelines for when a reassessment should be undertaken.

⁶ Due diligence and risk assessment does not necessarily mean choosing not to engage with high-emitting clients and projects. Instead, they are about considering the potential impact of those clients/projects on your Serviced Emissions, your opportunity to support a global transition to net zero emissions through those clients/ projects, and your capacity to influence your clients' actions.

⁷ For example by following the Exponential Roadmap Initiative's guidance for PSPs.

⁸ This may involve assessing potential clients' Transition Plan[s], any public net zero targets and any Taskforce for Climate-related Financial Disclosures or similar reporting. It may also be extended to wider issues such as performance benchmarked against relevant SDGs, evidence of just transition practice and performance relative to that of competitors in the same sector or jurisdictions.

4. Delivery and ongoing client relationships

What:

Embed climate opportunities and risks into your services and projects and as part of life-cycle assessments.

How:

- Seek opportunities to engage clients on the topic of climate change/ sustainability even when this is not the primary focus of the activities.
- Support clients in aligning their stakeholder engagement activities, including political lobbying, with positive climate action.
- Encourage top-down commitment to and proactive involvement in sustainability and climate-positive practices.
- Consider the lifecycle impact of the service(s) provided and integrate this into institutional capacity building activities, client relationships and service development to ensure comprehensive consideration of climate-related matters. Integrate the impacts of Serviced Emissions into post-project/post-service reviews.

6. System changes

What:

Advocate for regulatory and policy changes to support accelerated transition

How:

- Advocate for regulatory/policy changes where regulations/policies are inhibiting your sector and/or your clients from achieving 1.5°C alignment, in line with Race to Zero's 5th "P". ("Persuade")
- Exert influence within and through industry associations (including collaborative efforts) to advocate for positive change.
- Solicit support and expertise from and share knowledge with industry associations.
- Address any association memberships or views not supporting the net zero transition.
- Encourage peers to consider their climate impact.

5. Measurement of impact and reporting on progress

What:

Track the GHG outcome and impact of services provided.

How:

- Establish approaches across the organization to track progress and regularly report metrics that demonstrate progress in addressing the impact of GHG emissions and Serviced Emissions to contribute to reducing global emissions by 50% by 2030.⁹ Where possible, engage independent verification and/or reporting support to ensure that your reporting is transparent and honest.
- Develop objectives and key results, key performance indicators and/or other performance indicators for Serviced Emissions alongside overarching targets.
- Report your progress in transitioning to net zero emissions transparently and publicly, being honest about the evolving narrative that will emerge through learning and benefiting from improved better data over time.
- Pursue learning and share best practice across your organization.

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This valuable advice will help all professional services firms innovate, grow and also support the net zero transition in a structured way. They're warmly welcomed.”

David Symons
Pledge to Net Zero and WSP

⁹ E.g., if you plan to engage with high-emitting clients to encourage them to transition, consider disclosing appropriate metrics to demonstrate the number and nature of your engagements with clients and their impact (subject to client confidentiality considerations).

Conclusion



This paper is intended as a thought leadership piece to advance the conversation on serviced emissions. It seeks to introduce this concept - still a “work in progress” into the climate ecosystem to catalyse testing, refinement, and adoption by others in the process of moving towards standards and regulation. By offering early ideas for a framework for action, the paper aims to catalyse consistency and coordination across the climate and PSP ecosystems to promote leadership. Coordination, collaboration, capacity building and standards development are needed to capitalize on the ever-increased and as yet untapped opportunities for accelerating emission reduction through Serviced Emission are exponential. PSPs will play a critical role in the transition of every sector of the economy and society to net zero, as the advice and services they provide can accelerate their clients’ implementation of change. Race to Zero aims to continue creating space for conversations on this topic to advance the net-zero transition and in so doing, support the alignment of the leading actors across the PSP climate ecosystem.

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As we enter a new era of climate action, public relation companies, lawyers, consultants, and other professional service providers (PSPs) will play a crucial role in decarbonizing our economy. This is why the Race to Zero campaign has established a working group with partners to identify best practices for measuring and addressing ‘Serviced Emissions’. We encourage all PSPs to engage with this concept and tap into the vast potential for exponential emission reduction, thereby contributing to a 1.5°C future.”

H.E. Razan Al Mubarak
UN Climate Change
High-Level Champion, COP28

To find out more about Race to Zero and ways to catalyse climate action, please visit climatechampions.unfccc.int