



Sigma ESG's

Sustainability  
Gazette Weekly

No. 2

GHG Accounting: Spend-Based or Activity-Based  
**Understanding emissions tracking methods**

30/10/2024

SHIFTING WAYS





**SHIFTING WAYS, Sustainability Gazette Weekly | Issue No. 2**

**Subject: GHG Accounting: Spend-Based and Activity-Based**

Understanding emissions tracking methods

Greetings, Sustainability Enthusiasts,

In this week's edition, we explore two crucial methodologies for greenhouse gas (GHG) accounting: spend-based and activity-based data. Spend-based data estimates emissions based on financial expenditures, using economic models for a broad overview. Activity-based data measures emissions directly from activities like energy usage, offering precise insights.

Initially, most of your carbon footprint data will be spend-based. As you refine your approach, you'll transition to more accurate activity-based data, focusing on main emissions. Ideally, all our carbon accounting should be activity-based, but part of your carbon accounting will probably always include a spend-based component. For now, it's essential to rely on spend-based data while building the carbon data infrastructure.

**Spend-Based GHG Accounting**

**-Overview:** Estimates emissions based on financial expenditures, providing a broad overview.

**-Key Features:** Simplified data collection, broad coverage, less precise.

**-Benefits:** Ease of use, cost-effective, broad insights.

**Activity-Based GHG Accounting**

**-Overview:** Measures emissions directly from activities, offering higher accuracy.

**-Key Features:** Detailed data collection, high accuracy, complex implementation.

**-Benefits:** Accurate reporting, insightful analysis, enhanced standards compliance.

## **Our Perspective**

At Sigma ESG, we underline the importance of using both spend-based and activity-based approaches. Our software allows easy switching between them. We value the detailed insights from activity-based methods and the practicality of spend-based data. Our platform ensures you have the best of both worlds. Ideally, over time, a company's data proportions will invert, shifting from mainly spend-based to primarily activity-based data.

## **Comparison of the Two Methods**

**-Accuracy:** Activity-based is more precise; spend-based offers a broad overview.

**-Data Requirements:** Activity-based needs detailed data; spend-based uses financial data.

**-Implementation:** Activity-based is complex; spend-based is simpler and cost-effective.

User-friendly affordable software platforms reduce costs and complexity.

## **Conclusion**

Initially, most data will be spend-based. As you refine your approach, you'll transition to more accurate activity-based data, focusing on key emissions. Spend-based GHG accounting complements the more accurate activity-based GHG accounting. Sigma ESG's solutions streamline this process, making it easier to switch between both methods. While our future goal might be to have all measurements be activity-based, a balanced approach using both spend-based and activity-based data is a smart strategy.

Think of it like managing your budget with estimates until you can track every expense. Balancing spend-based and activity-based data ensures effective carbon management.

Perhaps one day, advancements in technology will even enable the broader use of Primary Data. But remember, ESG is about actionable steps we can take now. Using approximations that we progressively refine is entirely acceptable on the journey to Net Zero.

Stay tuned for more insights and stories from the world of sustainability. Together, we can make a difference.

Next Week:

### **Embarking on ESG: Ziegler's Positive Impact**

Solid Foundations and Ethical Leadership: Ziegler's Leading Strategy

Best regards,

Stéphane Brochu, Sustainability Strategy Advisor, Sigma ESG