Carbon Accounting 101: How to Track Emissions for the CSRD and Emerging Regulations

While carbon accounting has been around for years, last year's passage of the Corporate Sustainability Reporting Directive (**CSRD**) escalates it to a must-have capability. Under the CSRD's mandates, corporations must track and report the greenhouse gas (GHG) emissions that their operations generate (**Scope 1 and Scope 2**), as well as the GHG emissions across their supply and value chains. Organizations must also have their reports independently audited.

These regulations are **part of a larger trend**. In the United States, the Securities and Exchange Commission passed a **climate disclosure proposal** requiring publicly listed companies to include certain climate-related information in their registration statements and periodic reports. This includes Scope 1 and Scope 2 GHG emissions data and limited Scope 3 data. Worldwide, more investors, regulators, customers and partners are pressuring (or mandating) companies to improve and report on their sustainability practices.

While the CSRD primarily affects European corporations, non-EU businesses generating at least €150 million inside the EU are also subject to the reporting requirements — so between this framework and the SEC's proposal, the odds are high that, even if you haven't been tracking GHG emissions on a formal basis, you're going to have to start soon.

Read on for a checklist of best practices for implementing a comprehensive carbon accounting system and getting CSRD-ready.

A Carbon Accounting Best Practices Checklist

☐ KEEP A DIGITAL RECORD

The first step to effective carbon accounting is keeping a digital record of all the assets, events and transactions that contribute to your carbon inventory or budget. Examples include:

- **Scope 1 emissions:** Your organization produces these directly, like from heating your facilities, or driving company vehicles or fleets.
- **Scope 2:** These indirect emissions include the diesel you use to power these vehicles, or the GHG generated in the production of the oil that heats your facilities.
- **Scope 3:** These are emissions throughout your entire value chain, from the products your organization buys from suppliers to the products your customers use.

All of these data points add up, especially when you factor in the need to collect data in an auditable format, cleanse it and prepare it for reporting.

And you'll need to easily pull all this information from systems of record, surveys and spreadsheets across the organization. This is where automated data collection and collation is invaluable.

MAINTAIN A DASHBOARD

You'll need a complete view of key carbon accounting and sustainability KPIs — such as total emissions and Scope 1, 2 and 3 emissions — and how they change over time. You'll also need to avoid duplications and gaps, especially for reporting standards that overlap or are works in progress.

This requires a streamlined, scalable carbon accounting system, equipped with storyboards and other visualization tools to give executives and board members both an overarching view and the ability to drill down as needed.

In your dashboard and across your carbon accounting system, always keep the bigger picture in mind.

The CSRD also requires companies to apply double materiality standards, which means you'll need to show ESG impact on both internal operations and outward-looking sustainability goals.

You'll also want to factor GHG monitoring into public perception, third-party risk and progress against peers and competitors.

DOCUMENT IT ALL

In addition to quantitative data surrounding your emissions, you'll also want to keep clear documentation of key emissions factors, processes, information sources and more.

As with data collection, you can save time and streamline the process by using workflows, reminders and robotic automation.

FOLLOW RELEVANT FRAMEWORKS

Carbon accounting doesn't operate in a vacuum. The CSRD requires that companies comply with the European Sustainability Reporting Standards (ESRS), which are expected to be released later this year and adopted by summer 2023.

And there may be many more frameworks and standards relevant to your organization and industry: SASB, GRI, TCFD and beyond. Your carbon accounting system will need to be able to map GHG emissions data against all of these.

ENSURE DATA ACCURACY

Any carbon accounting system will need to ensure the data you collect reflects your organization's energy usage and GHG emissions across the entire reporting period, and that disclosures are consistent across stakeholders and metrics.

BE AUDIT-READY

Certain regulations and frameworks, including the CSRD, will require independent verification. An audit-friendly reporting format will make this verification easier. You can:

- Incorporate clearly defined roles, responsibilities and controls in your data collection.
- Include change logs for relevant user roles and permissions.
- Ensure complete calculation transparency.

Finally, consider a deadline tracking system to make sure third-party reviews are on schedule.

Streamline Your Carbon Accounting Efforts

When it comes to the CSRD or any other regulatory or stakeholder reporting, the right technology can make a big difference. **Diligent's Carbon Accounting solution** is designed for the challenge, with automatic and auditable data collection that can reduce time spent on reporting tasks **by 60–80%**, and also cut auditing costs related to emissions reporting by 50%.

It also features:

- 80 different pre-configured audit-ready reports
- Cleansing, analysis and reporting capabilities across over 2,000 fuels and business activities, including all Scope 1, 2, 3, CSR and supply chain data sources
- The ability to personalize your reporting and dashboards to reflect the formats and needs of your business

Whether you're reporting for the CSRD or other regulations, solutions like Diligent's Carbon Accounting software can help your business build transparency and maintain stakeholder trust through comprehensive and reliable data.

Learn more by **scheduling a demo** today.

FOR MORE INFORMATION OR TO REQUEST A DEMO:

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