

What Is Scope 3 and Why Restoration Contractors Need to Care

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If you run a restoration company and nobody has mentioned Scope 3 emissions to you yet, that's about to change. Commercial property managers, REITs, hospital systems, and institutional facility directors are all facing mandatory ESG reporting deadlines — and the emissions from the contractors they hire count toward their numbers.

Your restoration work is in their Scope 3. Whether you know it or not, whether you track it or not, your clients are being asked to account for it.

The Three Scopes of Greenhouse Gas Emissions

The Greenhouse Gas Protocol — the internationally accepted standard for carbon accounting — divides emissions into three categories based on where they originate in relation to the reporting organization.

Scope 1 covers direct emissions from sources the company owns or controls. A property management company's Scope 1 would include fuel burned in company-owned boilers, generators, and vehicles.

Scope 2 covers indirect emissions from purchased energy — electricity, steam, heat, and cooling consumed by the organization's buildings and operations.

Scope 3 covers everything else: all the indirect emissions that occur in the organization's value chain, both upstream and downstream. For a commercial real estate company, Scope 3 includes the emissions from construction and renovation work, from tenant operations in leased space, from the materials used in building maintenance — and from the restoration contractors called in when water, fire, or mold damage occurs.

Scope 3 is where the numbers get large. For commercial real estate, Scope 3 emissions typically account for 85 to 95 percent of total reported emissions. It's also where the data is hardest to collect — because it requires getting information from dozens or hundreds of vendors, suppliers, and contractors who may not track their own emissions at all.

Where Restoration Contractors Appear in Scope 3

The GHG Protocol defines 15 categories of Scope 3 emissions. Restoration work touches several of them simultaneously:

- **Category 1 — Purchased goods and services:** The materials your crews use on a job — drying equipment consumables, remediation chemicals, replacement materials — generate upstream emissions that get counted in your client's Category 1.

- **Category 4 — Upstream transportation and distribution:** The emissions from driving your trucks to the job site, hauling equipment, and transporting waste to disposal facilities.
- **Category 5 — Waste generated in operations:** The debris, contaminated materials, and hazardous waste generated during restoration work that gets disposed of on behalf of the property owner.
- **Category 12 — End-of-life treatment of sold products:** Applies when restoration involves removing and disposing of building materials — flooring, drywall, insulation — on behalf of the property.

A single significant water loss job touches all four of these categories. A large fire restoration project may touch additional categories depending on the scope of reconstruction work involved.

Why This Is a 2027 Problem for Your Business

California Senate Bill 253 — the Climate Corporate Data Accountability Act — requires companies with more than \$1 billion in annual revenue doing business in California to report Scope 1 and 2 emissions starting in 2026 and Scope 3 emissions starting in 2027. More than 5,000 companies are within scope of this law.

The EU Corporate Sustainability Reporting Directive (CSRD) is already in effect, with Scope 3 reporting requirements phasing in through 2027 for large European companies — many of which own commercial real estate and operate facilities in the United States.

What this means practically: the commercial property managers, REITs, hospital systems, and institutional facility directors who hire restoration contractors are right now trying to figure out how to collect Scope 3 emissions data from their vendor base. They need that data to file required disclosures. If you can provide it

— in a structured, consistent, usable format — you become a preferred vendor. If you can't provide it, you become a data gap they need to work around.

The Gap the Restoration Industry Has Not Addressed

No major restoration trade association — not IICRC, not RIA, not RCAT — has published a Scope 3 reporting standard for restoration contractors. There is no industry-agreed methodology for calculating the emissions contribution of a water damage job, a fire restoration project, or a mold remediation. There is no standard job carbon report format that a contractor can provide to a property manager for their ESG disclosure.

This is the void the Restoration Carbon Protocol is designed to fill. In the absence of an industry standard, each commercial property manager is either making up their own methodology, using generic spend-based estimates with high uncertainty, or simply leaving restoration contractor emissions out of their disclosure and hoping their auditors accept it.

None of those options serve the property manager. None of them serve the contractor. And none of them serve the goal of accurate climate disclosure.

The restoration industry has an opportunity to lead here — to define the standard before regulators or clients define it for them, and to make that standard one that is actually workable for contractors who are focused on doing restoration work, not filing emissions reports.

What are Scope 3 emissions?

Scope 3 emissions are indirect greenhouse gas emissions that occur in an organization's value chain — from the goods and services they purchase, the transportation of those goods, the waste generated in their operations, and the

activities of their contractors and suppliers. For commercial real estate, Scope 3 typically accounts for 85–95% of total reported emissions.

Do restoration contractors' emissions count in their clients' Scope 3?

Yes. Restoration work generates emissions from vehicle transportation, equipment fuel use, materials consumption, and waste disposal — all of which fall under specific GHG Protocol Scope 3 categories that commercial property managers are required to report.

When do commercial property managers need to report Scope 3 emissions?

California SB 253 requires Scope 3 reporting starting in 2027 for companies with over \$1 billion in revenue doing business in California. EU CSRD is already phasing in Scope 3 requirements. Many institutional investors and ESG frameworks (GRESB, CDP) already request Scope 3 data from their portfolio companies.

Is there currently a Scope 3 reporting standard for restoration contractors?

No. No major restoration trade association has published a Scope 3 calculation methodology or reporting standard for restoration work. The Restoration Carbon Protocol (RCP) is being developed to fill this gap.

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- [How Commercial Property Managers Are Counting Your Emissions](#)
- [Introducing the Restoration Carbon Protocol](#)

- [The GHG Protocol's 15 Scope 3 Categories for Restoration](#)

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- [The 2027 Deadline: California SB 253](#)

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