World Business Council for Sustainable Development

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The Greenhouse Gas Protocol Initiative
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Corporate Value Chain (Scope 3) Accounting & Reporting Standard

Summary of Public Comments on the Second Draft for Stakeholder Review (November 2010)

February 2011

Introduction

The first draft of the GHG Protocol *Scope 3 Standard* was completed in October 2009 and road tested by 35 companies between January and June 2010. The road testing companies provided feedback to WRI and WBCSD on the practicality of the draft standard. The second draft of the *Scope 3 Standard* was developed, incorporating feedback from the road testing companies as well as:

- Written comments from over 60 organizations in the stakeholder advisory group on the *Draft for Stakeholder Review* (November 2009)
- Stakeholder comments received during five in-person stakeholder workshops, attended by over 350 participants (November - December 2009)
- Feedback from the Steering Committee (June 2010)
- Feedback from Technical Working Group members during two webinars (April 2010 and August 2010)

The second draft of the standard was released for a one-month public comment period in November 2010. Fifty organizations submitted comments on the draft standard.

For each chapter of the standard, WRI and WBCSD asked commenters whether they agreed or disagreed with the requirements and guidance. In most cases, a majority of commenters agreed with the proposed text. In the cases where commenters disagreed, many provided recommendations on how the text could be improved to address their concerns. The following summary provides an overview of key recommendations, as well as a qualitative[1] indication of the level of agreement for each chapter.

[1] Quantitative voting results are not provided since not all commenters answered the questions for each chapter, making it difficult to draw meaningful conclusions.

General Feedback

- Overall, most respondents agreed that the standard was useful.
- Most commenters said the standard provides inventory results that are useful in reducing emissions.
- Most commenters said the standard provides enough specificity.
- Commenters cited uncertainty of data and complexity as two potential barriers to using the standard.
- Most commenters said they plan to use this standard when it is finalized to account for and report scope 3 GHG emissions.
- Several commenters said that more work should be done to ensure it is user-friendly and practical and provided specific recommendations detailed in the sections below.
- Commenters suggested including case studies throughout the standard to make it more user-friendly.
- Nearly all commenters agreed with the title of the publication: GHG Protocol *Corporate Value Chain (Scope 3) Accounting & Reporting Standard.*

Chapter 1: Introduction

- Nearly all commenters agreed with the Introduction section, with a few suggestions for minor revisions, such as: to clarify the language on comparisons, be more specific on how the two standards complement one another and fit together, and to move non-relevant text (e.g. on the GHG Protocol process) to the website.

Chapter 2: Principles

- Most commenters agreed with the principles outlined in the standard with minor wording revisions.

Chapter 3: Business Goals

- Most commenters agreed with the business goals outlined in the standard, with a few suggested revisions, such as: adding more language on the costs savings that can be gained through improved efficiencies; and consider broadening the language on "identifying climate-related risks in the value chain".

Chapter 4: Overview of Scope 3 Emissions

General Comments

- Half of the commenters agreed with the categorization and descriptions of scope 3 emissions, while half recommended revisions to specific categories or descriptions (see below).

Category 1: Purchased Goods & Services

- Several commenters agreed with the removal of the "Direct Supplier Emissions" category included in the previous draft.

Category 2: Capital Goods

- A few companies said accounting for capital goods should be optional, due to burden/difficulty.
- Some supported the current guidance not to amortize emissions over the life of capital assets, while others suggested that amortization/depreciation of emissions from capital goods should be an option to smooth out possible spikes over time; or to separately report these emissions to avoid misinterpretation.

Category 3: Fuel and Energy Related Emissions

- A few commenters suggested that this category should be combined with scope 2.
- A couple commenters suggested that this category is burdensome.

Category 5: Waste Generated in Operations

- A couple commenters said the standard should provide guidance on how to account for recycling.

Category 6: Business Travel

- A couple commenters recommended that hotel stays be required, not optional, and that more guidance is needed on accounting for hotel stays.

Category 7: Employee Commuting

- A couple commenters recommended additional guidance for accounting for teleworking.

Category 9: Investments

- Commenters supported the level of detail provided on various types of investments.
- A few commenters recommended that the guidance include additional accounting (e.g., pension schemes, managed investments when significant), while a few commenters suggested making some of the categories optional (e.g., corporate debt holdings and investments where the reporting company doesn't have significant influence).

Category 10: Transportation & Distribution (Downstream)

- A few commenters suggested that collecting primary data from downstream transportation carriers is usually not possible, so the guidance should clarify that primary data collection is not expected.

Category 11: Processing of Sold Products

- A few commenters suggested that collecting primary data from downstream customers is usually not possible, so the guidance should clarify that primary data collection is not expected.
- A couple commenters that a producer of an intermediate good should not be responsible for reporting downstream processing emissions.

12. Use of Sold Products

- A couple commenters recommended clarifying that indirect use phase emissions are optional.
- Some commenters agreed with the guidance to account for the lifetime emissions of sold products in the year of sale, while a couple commenters recommended that product use emissions be accounted for on an annual rather than lifetime basis.
- Several commenters supported the guidance on avoided emissions; a couple commenters suggested avoided emissions should apply to other activities beyond the use of sold products.

13. End of Life Treatment of Sold Products

- A couple commenters said the standard should provide guidance on how to account for recycling.

Chapter 5: Setting the Boundary

- Nearly all commenters agreed with the boundary requirement to account for and report all scope 3 emissions and disclose and justify any exclusions.
- Nearly all commenters agreed with the guidance on disclosing and justifying exclusions and the guidance on accounting for downstream emissions.
- Several commenters suggested that the guidance be clarified to acknowledge that companies may not be able to account for 100% of scope 3 emissions. Clarify further that exclusions are allowed if disclosed and justified. The current draft says "Companies should strive for completeness, but it is acknowledged that achieving 100% completeness may not be feasible," which should be further emphasized.
- Several commenters asked for additional guidance on what are justifiable reasons for exclusion, with examples, such as limited data, inability to influence reductions and small GHG contribution.
- A few commenters suggested adding case studies from the road testing companies to provide examples of companies' approaches to setting the boundary.
- Several commenters agreed that companies should disclose and explain any exclusions and that companies should not exclude scope 3 emissions that are significant.

Chapter 6: Collecting Data

- Most commenters agreed with the guidance on data types and definitions of primary data and secondary data.
- Most commenters agreed with the guidance related to emission factors (that to calculate scope 3 emissions, companies should use life cycle emission factors for fuels and electricity where possible)
- Most agreed with the other guidance in the chapter.
- Most commenters agreed that generally the best available data source is to be preferred and that secondary data should be used if primary data is not available or of poor quality.
- Most commenters supported the guidance on prioritizing activities based on GHG impact, while some recommended adding guidance on the use of financial spend analysis to rank upstream purchases.
- A couple commenters recommended referencing input-output assessment as a source of data.
- A few commenters suggested that more guidance is needed on estimation of GHG emissions from capital goods.

Chapter 7: Allocating Emissions

- Most commenters agreed with the allocation guidance provided in this chapter.
- A few commenters said the guidance and examples are helpful.
- Some modifications were proposed to the list of allocation methods (e.g., adding or removals examples of physical allocation methods).
- Several commenters recommended removing the example of allocating emissions from byproducts (slag from the steel industry) because it makes incorrect assumptions and misrepresents current practices in the industry.
- A couple commenters asked for more guidance on defining "significant market value" in the context of co-products and byproducts.

Chapter 8: Accounting for Supplier Emissions

- Many commenters agreed with the requirement that companies shall report:
    - Total supplier scope 1 and scope 2 emissions data, allocated to the reporting company using a consistent metric and reported separately from the reporting company's scope 1, scope 2 and scope 3 emissions;
    - The methodology used to quantify and allocate supplier emissions data; and
    - The percentage of Tier 1 suppliers accounted for, as a percentage of the reporting company's total spend.
- Several commenters recommended that the requirement to report supplier emissions should be removed and instead made optional because:
    - The requirement is too demanding
    - The requirement adds no value
    - Transparency can be achieved by many other ways
    - Confidentiality concerns
    - Difficult to collect
    - Scope 3 emissions are already estimated properly from categories 1-15
    - Data may be highly uncertain or inaccurate
- Most commenters agreed with the guidance given on accounting for supplier emissions.
- A couple commenters said that encouraging Tier 1 suppliers to inventory and disclose their GHG emissions is valuable.
- Most commenters agreed with the guidance to prioritize suppliers based on their contribution to the company's total spend is helpful.
- Commenters recommended clarifying that companies may identify relevant suppliers in any way they choose (e.g., based on spend as a percentage, based on spend as an absolute value, based on emissions, etc.).
- A few commenters suggested that supplier data collection should not be limited to scope 1 and 2 because some suppliers are middlemen, some outsource manufacturing while others do not, etc.; should extend data collection to scope 3 where appropriate.
- Comments ranged from saying that allocating supplier data is necessary, since total supplier emissions includes activities unrelated to the goods and services purchased by the reporting company, to saying that allocating supplier emissions should be optional, since it can be difficult and inaccurate.
- Several commenters said that WRI/WBCSD should provide templates for collecting GHG data from suppliers.

Chapter 9: Setting a Target & Tracking Emissions Over Time

- Most commenters agreed with the guidance on setting reduction targets and tracking emissions over time
- Most commenters agreed with the requirements that:
    - Companies shall choose and report a scope 3 base year and specify their reasons for choosing that particular year.
    - Companies shall recalculate base year emissions when significant changes in the company structure or inventory methodology occur.
    - Companies shall develop a base year emissions recalculation policy and clearly articulate the basis and context for any recalculations.
- Some commenters recommended removing the requirement to set a base year and make it a recommendation instead.

- A few commenters supported the need to set a base year and recalculate base year emissions in order to consistently track emissions over time, while a few others said that setting a base year and recalculating base year emissions for scope 3 may require significant effort and resources.
- A few commenters asked for additional guidance and examples for setting a base year, recalculating base year emissions, and setting a reduction target.
- A few commenters suggested that companies would wait a few years before setting a scope 3 base year
- A few commenters supported the guidance allowing companies to have a different base year for scope 3 than for scope 1 and 2.
- A few commenters suggested companies should set multiple types of reduction targets (e.g., both an overall reduction target for (scope 1+2+3) and targets on individual scope 3 categories; both absolute targets and intensity targets; etc.).
- A few commenters expressed support for the guidance on double counting between companies' scope 3 reductions.

Chapter 10: Assurance

- Commenters suggested clarifying:
    - The difference between verification and assurance
    - Whether assurance should be performed on a company's collective scope 1, 2, and 3 emissions, or if scope 3 emissions should be assured separately.
    - The audience in terms of the needs of different assurance levels
    - That third party assurance is of greater value to stakeholders than internal assurance
- A few commenters suggested editing the language to make it consistent with the rest of the standard.

Chapter 11: Reporting

- Nearly all commenters agreed with the guidance given in the chapter.
- Half of the commenters agreed with the reporting requirements, while half offered recommended revisions on specific requirements.
- A few commenters disagreed with the requirement to report the percentage of primary data.
- A few commenters suggested clarifying that companies do not have to separately report emissions of each of the 6 Kyoto GHGs (the text should be made clearer).

Appendices

- Nearly all commenters agreed that the sample reporting template is helpful (Appendix A).
- All respondents agreed with the guidance on accounting for emissions from leased assets (Appendix B).
- All respondents agreed with the guidance for collecting supplier data (Appendix C); some suggested adding case studies on methods used to collect supplier data and explaining the benefits to suppliers.
- All respondents agreed with the Data Management Plan guidance with no suggestions for revisions (Appendix E).