



World Business Council for  
Sustainable Development



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INSTITUTE



**The Greenhouse Gas Protocol Initiative**  
*the foundation for sound and sustainable climate strategies*

# Product Life Cycle Accounting and Reporting Standard

**Review Draft for Stakeholder Advisory Group  
November 2009**

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# Table of Contents

1. Introduction .....	4
1.1. Introduction to Stakeholder Review Draft.....	4
1.2. Goal and Scope of the Product Standard .....	6
1.3. Who should use this Standard .....	8
1.4. Choosing a Product.....	10
2. Principles of Product GHG Accounting.....	12
3. Overview of Product GHG Accounting .....	13
3.1. Key Concepts .....	13
3.2. Steps to Performing a Product GHG Inventory.....	18
4. Establishing the Methodology.....	19
4.1. Requirements .....	19
4.2. Guidance .....	19
5. Defining the Functional Unit .....	22
5.1. Requirements .....	22
5.2. Guidance .....	22
6. Boundary Setting .....	24
6.1. Introduction.....	24
6.2. Requirements .....	24
6.3. Guidance .....	24
7. Collecting Data .....	35
7.1. Requirements .....	35
7.2. Guidance .....	35
8. Allocation .....	47
8.1. Introduction: What is an Allocation Problem? .....	47
8.2. Requirements .....	51
8.3. Guidance .....	53
9. Assessing Data Quality and Uncertainty .....	59
9.1. Requirements .....	59
9.2. Guidance .....	59
10. Calculating GHG Emissions .....	68
10.1. Requirements .....	68
10.2. Guidance .....	68
11. Assurance.....	70
11.1. Introduction.....	70

1	11.2.	Requirements .....	72
2	11.3.	Guidance .....	72
3	12.	Reporting .....	82
4	12.1.	Requirements .....	82
5	12.2.	Guidance .....	86
6	12.3.	Example Summary Report .....	88
7	13.	Accounting for GHG Emission Reductions ( <i>to be completed</i> ) .....	93
8		Appendix A: Data Management Plan .....	94
9		Appendix B: Additional Guidance on Collecting and Calculating Data .....	99
10		Land Use and Land Use Change Emissions .....	99
11		Electricity Emission Factors ( <i>to be completed</i> ) .....	102
12		Capital Goods ( <i>to be completed</i> ) .....	102
13		Appendix C: Product Comparisons ( <i>to be completed</i> ) .....	103
14		Appendix D: Life Cycle Databases ( <i>to be completed</i> ) .....	103
15		Appendix E: Glossary .....	104
16		Appendix F: References .....	111
17			
18			

# 1. Introduction

The Greenhouse Gas Protocol Initiative (*GHG Protocol*) is a multi-stakeholder partnership of businesses, non-governmental organizations (NGOs), governments and others convened by the World Resources Institute (WRI), a U.S. based environmental NGO and the World Business Council for Sustainable Development (WBCSD), a Geneva, Switzerland-based coalition of over 200 international companies. Launched in 1998, the Initiative's mission is to develop internationally accepted accounting and reporting standards and guidelines for corporate greenhouse gas (GHG) emissions inventories and GHG projects, and to promote their use by businesses, governments, NGOs and other organizations.

The GHG Protocol Initiative has previously produced the following standards and guidelines:

- GHG Protocol *Corporate Accounting and Reporting Standard*<sup>1</sup> (2004)
- GHG Protocol for Project Accounting (2005)
- GHG Protocol *Land Use, Land-Use Change and Forestry Guidance for GHG Project Accounting* (2006)
- GHG Protocol *Guidelines for Quantifying GHG Reductions from Grid-Connected Electricity Projects* (2007)



The GHG Protocol launched a new initiative in 2008 to develop two new standards for:

- Product life cycle accounting and reporting
- Corporate scope 3 (value chain) accounting and reporting

## 1.1. Introduction to Stakeholder Review Draft

### Standard Development Process

The GHG Protocol Initiative follows a multi-stakeholder, consensus-based process to develop greenhouse gas accounting and reporting standards with participation from businesses, government agencies, nongovernmental organizations, and academic institutions from around the world.

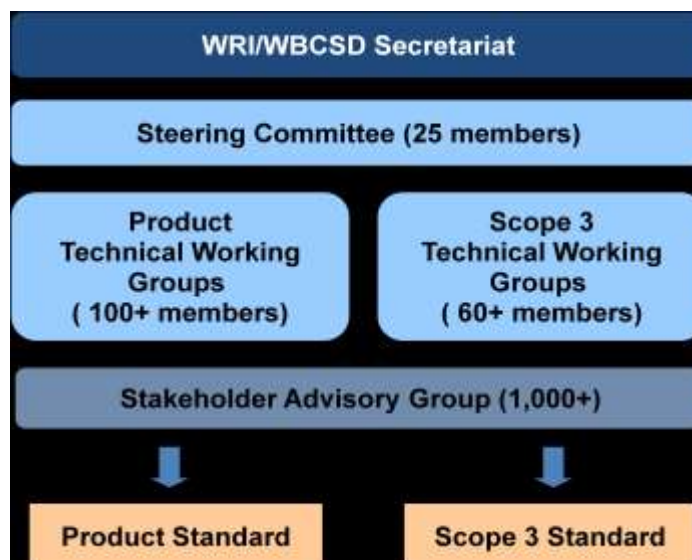
This draft standard was developed between January and October 2009 by two technical working groups collectively comprised of over 70 members from a diversity of businesses, government agencies, NGOs, and academic institutions. The development was led and coordinated by WRI and WBCSD. A Steering Committee

<sup>1</sup> The GHG Protocol *Corporate Standard* is sometimes referred to as “the GHG Protocol.” The term GHG Protocol is an umbrella term for the collection of standards, tools and other publications provided by the WRI/WBCSD GHG Protocol Initiative.

## REVIEW DRAFT FOR STAKEHOLDER ADVISORY GROUP – NOVEMBER 2009

1 consisting of 25 organizations met three times between September 2008 and September 2009 to provide  
 2 strategic and technical direction to the process.

### 3 4 **Process Structure**



### 5 6 7 **Timeline**

Date	Activity
November 2007	✓ Survey and consultations to assess need for new standards
September 2008	✓ Steering Committee Meeting #1 (Washington DC) ✓ Technical Working Group Meeting #1 (London)
January 2009	✓ Working groups begin drafting
March 2009	✓ Steering Committee Meeting #2 (Geneva)
June 2009	✓ Technical Working Group Meeting #2 (Washington DC)
August 2009	✓ Stakeholder webinar and comment period
October 2009	✓ Steering Committee Meeting #3 (Washington DC)
November - December 2009	✓ First draft of standards released for stakeholder review <ul style="list-style-type: none"> <li>▪ Five stakeholder workshops (in Berlin, Germany; Guangzhou, China; Beijing, China; London, UK; Washington, DC, USA)</li> <li>▪ Stakeholder comment period on first drafts</li> </ul>
January - June 2010	<ul style="list-style-type: none"> <li>▪ Pilot testing by several companies</li> </ul>
Summer 2010	<ul style="list-style-type: none"> <li>▪ Public comment period on second drafts</li> </ul>
December 2010	<ul style="list-style-type: none"> <li>▪ Publication of final standards</li> </ul>

### 9 10 **Process for Submitting Written Comments**

- 11 • This draft is open for stakeholder comment from November 11, 2009 through December 21, 2009.
- 12 • To provide written comments, please use the comment template provided, instead of sending comments in a separate file or e-mail, in order to streamline the comment process.
- 13 • When using the comment template, please organize comments by chapter/section and reference page numbers and line numbers.
- 14 • If you have questions during the public comment process, please email Holly Lahd at [hlahd@wri.org](mailto:hlahd@wri.org).

- Submit comments as an attached MS Word file by email to Holly Lahd at [hlahd@wri.org](mailto:hlahd@wri.org) no later than **Monday, December 21st, 2009**. We appreciate any effort to submit written comments before the deadline.

## Process for Revising the Draft Standard

In 2010, WRI and WBCSD, in collaboration with the Steering Committee and Technical Working Groups, will:

- Revise the draft standard based on feedback received during five stakeholder workshops and the stakeholder comment period (November 11 – December 21, 2009)
- Road test the draft standard with 10-15 companies from a diversity of industry sectors and geographic locations during January to June 2010
- Revise the draft standard based on feedback received during road testing
- Circulate a second draft for public comment in mid-2010
- Revise the second draft based on feedback received
- Publish the final standard in December 2010

## Terminology: Shall, should and may

The term “**shall**” is used in this standard to indicate what is required in order for a GHG inventory to be in conformance with the *GHG Protocol Product Standard*. The term “**should**” is used to indicate a recommendation, but not a requirement. The term “**may**” is used to indicate an option that is permissible or allowable.

## 1.2 Goal and Scope of the Product Standard

The Greenhouse Gas Product Standard provides guidance for companies and other organizations to prepare an inventory of emissions associated with a product. The primary purpose of this standard is to support public reporting of product life cycle greenhouse gas (GHG) emissions to help users reduce these emissions by making informed choices about the products they design, manufacture, sell, purchase or use. In the context of this standard, public reporting refers to providing emissions-related information for a product, in accordance with the reporting requirements specified under the standard, by making it available in the public domain.

As awareness about climate change increases and concerns grow, investors are demanding more transparency, and consumers are seeking greater clarity and environmental accountability. Companies increasingly expect their customers to demand that they measure and reveal their GHG inventory annually, and this demand is expected to increase in the future. Public reporting serves to satisfy stakeholder demands for greater disclosure around GHG inventory of products. It provides stakeholders, including customers, with information that may favorably influence their decisions.

Public reporting boosts corporate image as stakeholders learn about companies’ efforts to measure product lifecycle GHG emissions. Moreover, when a company publicly discloses emissions-related information, it is more likely to take steps to reduce these emissions and incorporate addressing GHG impacts as an integral part of its overall sustainability strategy. Public reporting provides impetus to management to go beyond measurement and begin looking for opportunities to reduce emissions along the supply chain. This has the potential to bring increased positive media attention to the company and its products.

This standard provides an overarching framework for reporting of GHG

*Product* – any goods or service.

*Product life cycle* – Consecutive and interlinked stages of a product system, from raw material acquisition or generation of natural resources to end of life, inclusive of any recycling or recovering activity.

*Product level GHG inventory* – Compilation and evaluation of the inputs, outputs and the potential GHG impacts of a product system throughout its life cycle.

*Comparative assertion* – This refers to an environmental claim regarding the superiority or equivalence of one product versus a competing product that performs the same function.

1 emissions associated with products. It is not intended to support mandatory GHG reporting as mandatory  
2 reporting programs have their own set of rules and regulations. However, organizations may use the guidance  
3 provided in this standard to develop their own policies and programs.

4 This standard is sufficiently flexible to support GHG quantification and reporting for many different types of  
5 products. This flexibility, though, results in a standard that does not directly enable comparative assertions or  
6 product labeling. Comparative assertion refers to an environmental claim regarding the superiority or equivalence  
7 of one product versus a competing product that performs the same function. Valid assertions or labeling requires  
8 a greater degree of prescriptiveness than is provided in this standard.<sup>2</sup>

9 Further, this standard is not intended to support the accounting of GHG emission offsets or claims of carbon  
10 neutrality. This standard focuses on emissions generated during a product's life cycle and does not address  
11 avoided emissions or actions taken to compensate for released emissions.

12

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<sup>2</sup> The Standard will include guidance on how programs, developers, and organization can apply additional constraints to the Standard requirements so that valid assertions and claims can be made. This section is currently under development.

1 **1.3. Who should use this Standard**

2 This standard is designed for companies and organizations<sup>3</sup> of all sizes in all economic sectors. (To be developed  
3 further)

4 **Box 1-1: GHG Protocol Standards**

5 Companies and organizations may carry out a GHG inventory at a corporate, project and/or product level  
6 using the appropriate GHG Protocol standard. Three other standards exist besides the *GHG Protocol Product Standard*, which helps in developing a product-level GHG inventory. The *GHG Protocol Corporate Accounting and Reporting Standard* enables corporate level GHG inventory development. The *Scope 3 Standard* provides additional guidance to cover the full breadth of information related to the corporate supply chain. The *Project Protocol* enables businesses to quantify the GHG emissions associated with the development of specific emission reduction projects.

All the standards serve the purpose of assisting companies to account for and reduce GHG emissions. However, they differ in terms of their applications, purpose, and users. Companies can select the appropriate standard to implement based on their individual reason for undertaking the GHG analysis, for example:

- **The GHG Protocol Corporate Standard:** Companies who seek to develop an understanding of their corporate level GHG emissions establish an inventory following the Corporate Standard. They may also be participating in voluntary or regulatory reporting programs based on the Corporate Standard. In addition, as companies establish corporate level emissions reduction targets, they can use the Corporate Standard to measure and demonstrate progress against these targets. At an operational level, main users of the standard include personnel responsible for data collection and GHG emission estimation for the company, as well as corporate GHG inventory developers.
- **The GHG Protocol Scope 3 Standard (Draft):** As stakeholders request increased disclosure from businesses, companies are being asked to report a more complete picture of their corporate emissions. The Scope 3 Standard provides guidance to companies who wish to broaden their corporate level reporting to include upstream and downstream emissions. Undertaking the exercise of accounting of these emissions can also facilitate stakeholder engagement and dialogue with partners along the value chain. Main users of this standard would be personnel responsible for data collection for selected scope 3 activities (e.g., supply chain managers and vehicle fleet managers), and corporate GHG inventory developers.
- **The GHG Protocol Project Standard:** As voluntary and regulatory GHG markets develop globally, companies seek opportunities to develop discrete emission reduction projects. The Project Protocol provides companies with a step by step methodology for developing such a project, which will support companies' engagement in global GHG markets or in meeting internal objectives. Project developers and auditors will be the main users of the standard.
- **The GHG Protocol Product Standard (Draft):** The Product Standard supports the development of GHG inventories of specific company products and services for the goal of public disclosure. This product level GHG analysis supports various business purposes, such as identifying emission reduction opportunities along a product's supply chain, performance tracking and product differentiation. LCA practitioners and personnel responsible for development and marketing of products (e.g., product designers and managers) constitute the main user group for this standard.

Additional information on all GHG Protocol Standards is available at the GHG Protocol Website:  
<http://www.ghgprotocol.org/>

<sup>3</sup> The term company is used throughout the standard to represent a company or organization that may use the standard.



1.3.1. Business Goals

Companies conducting product level GHG inventories may find that the process creates business value through:

- Identification of GHG reduction opportunities in the supply chain of a product,
- Performance tracking,
- Product differentiation, and
- Supply chain engagement and improved disclosure practices.

As a good practice, users of this standard are encouraged to identify at the outset potential value creation or end uses driving their decision to undertake product level inventory. Doing so should bring clarity and help in selecting the right methodology and data to develop the inventory.

**Identifying GHG reduction opportunities in the supply chain**

Business Goal	Description
Identifying GHG reduction opportunities in the supply chain	An organization applies product analysis to investigate new GHG reduction and cost-saving opportunities throughout the supply chain of a product

Product level GHG inventories, performed according to a consistent framework, provide a quantitative tool to help identify emissions—as well as cost—reduction opportunities along a product’s supply chain. Product inventories provide detailed information on the relative importance of emission sources in the life cycle, information which may be used to guide emission reduction action plans. Utilizing product level GHG inventories helps product manufacturers to avoid the pitfall of focusing too heavily on the most proximate or obvious emission sources associated with a product’s manufacture while missing major emission reduction and cost saving opportunities elsewhere in the supply chain.

This business goal may have internal and external end uses. Internally, product level GHG inventories may be utilized to support green product design choices. For example, a shoe manufacturer seeking to meet a company target of 10% lower life cycle emissions from its most popular shoe might employ a product level GHG inventory to decide the most cost effective means to achieve this target. Externally, the shoe manufacturer may communicate its product level GHG reductions to consumers as a component of a broader product launch.

**Performance tracking**

Business Goal	Description
Performance tracking	An organization utilizes product GHG inventory to establish performance metrics and targets for continual improvement

Environmental and sustainability management systems, which are a popular means in the corporate sector to systematically manage and communicate environmental performance, demand the use of performance measurement to confirm the success of continual improvement processes. A product level GHG inventory provides a quantitative performance metric that may be used within a broader management system that sets targets for improvement, tracks progress and communicates successes to customers and other stakeholders. Uses of a product level performance tracking metric may be both internal and external. External uses might include an annual corporate sustainability report that is distributed publicly. Internal uses might include an annual report to company executives charged with ensuring continual improvement in environmental performance.

**Product Differentiation**

Business Goal	Description
Product differentiation	An organization conducts a product level GHG inventory and pursues reduction opportunities to differentiate its product in the marketplace and better respond to customer desires

1 *Product differentiation* is a broad term, encompassing all the specific end uses of product level GHG inventory  
 2 that may help a company distinguish its product in the market place. Comparative assertions fall under the  
 3 broader business goal of product differentiation. However, these two terms are not equivalent. For example, a  
 4 company may realize product differentiation simply by conducting and publicizing a product level GHG inventory  
 5 that demonstrates to consumers that the brand is concerned with environmental impacts of their product's life  
 6 cycle. With consumers increasingly concerned about the environmental impacts of their product choices, product  
 7 level GHG inventories provide a new avenue for product managers to better connect with these consumer  
 8 concerns and differentiate their product in the marketplace.

9  
 10 **Supply chain engagement and better disclosure practices**

Business Goal	Description
Supply chain engagement and improvement in disclosure practices	An organization engages stakeholders through its supply chain to reduce emissions and strengthen connections

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 12 Product level GHG inventories require communication with multiple stakeholders and suppliers along the product  
 13 life cycle. From raw material vendors to final consumers, product level inventories provide an opportunity for firms  
 14 to engage with their supply chain towards the common goal of reducing GHG emissions. Product inventories  
 15 should support engagement with suppliers to reduce product life cycle GHG emissions. The analysis process may  
 16 require soliciting measurements that suppliers may have never taken. In accordance with the axiom “what gets  
 17 measured gets managed”, this process may encourage emissions reductions. A product level GHG inventory may  
 18 also uncover valuable information that may be shared to help build positive relationships with product users. For  
 19 example, a product level GHG inventory of a home appliance may show that a large proportion of the product's  
 20 emissions occur in the use stage. This information may provide a platform for the product manufacturer to  
 21 communicate and collaborate with their customers to achieve lower product life cycle emissions.  
 22

23 **1.4. Choosing a Product**

24 Product GHG inventories can require a significant commitment in terms of time and resources, and companies  
 25 should carefully plan their investment towards such an exercise to achieve maximum benefits around GHG  
 26 reductions. Therefore, careful consideration should be taken of the products within the company and the potential  
 27 impact a product may have on reducing emissions and meeting other business goals. This should enable the  
 28 company to efficiently and effectively achieve its objectives.

29 Some basic examples of how a company may select the products for GHG inventories include:

- 30 - *Preliminary review* – A cursory review or screening exercise may highlight energy intensive or high  
 31 volume products which may be a prime candidate for GHG inventories
- 32 - *Products designed to enable GHG abatement* – Adequate information on lifecycle GHG emissions of  
 33 such products as a result of GHG inventories may strengthen a company's credibility.
- 34 - *New and emerging products* – GHG reduction is usually more cost effective during product design phase  
 35 than after a product has been launched. Additionally, these may have a longer life expectancy than  
 36 established products and deliver more cumulative GHG emission reductions.

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**Box 1-2: Influence of Business Goals**

Once a product is chosen, a company should still consider business goals while performing the GHG inventory. Although minimum requirements around public disclosure are set in the standard, a company may also choose to consider collection efforts on specific data types or sources depending on the business goal.

**Product differentiation** often involves documenting and communicating the GHG impacts of specific actions to demonstrate the company's commitment to reducing GHG emissions. If the business goal is to demonstrate commitment to developing environmentally superior products, it is crucial to get specific data that differentiates the company's product in the marketplace. It is also necessary to document the GHG impact of the changes made to the product.

**GHG reductions in the supply chain** may depend on identifying specific opportunities to cut emissions through product/process design, choice of raw materials, and/or choice of suppliers. This goal can be supported by documenting the largest emission sources along the supply chain during the inventory process, and then testing various change scenarios for their impact on these sources and the life cycle GHG emissions.

**Performance tracking** helps to reduce the company's GHG emissions and demonstrates continuous improvement. Given this goal, there is a greater need for accurate data for those elements that are changing the most over time. For example, tracking if a new material is selected for a product (e.g., steel versus plastic) and the accuracy of emissions associated with these materials will be key to tracking changes in the emissions associated with the product.

**Supply chain engagement** establishes a closer dialogue with partners along the value chain to more broadly improve GHG performance and business relations. It is important to specify the objective for such engagement and the type of data to be exchanged to meet that objective. For example, a producer of fertilizers may be interested in reducing the GHG emissions of its products. It would then be important to engage its chemical suppliers and specify the objective and mutual benefits of such an engagement.

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## 2. Principles of Product GHG Accounting

The five accounting principles below are intended to underpin all aspects of GHG accounting and reporting for products. Their faithful application should help ensure that a GHG emission inventory constitutes a true and fair representation of the company's product-level GHG emissions. These principles have been derived from financial and GHG accounting standards, sustainability reporting guidelines and life cycle assessment (LCA) standards. Their primary function is to guide users in the implementation of this standard, in particular when facing decisions related to the quality and quantity of information used in the inventory development process.

### **Relevance**

Ensure the product GHG report serves the decision-making needs of all users identified within the report. Present information in the report in a way that is readily understandable by the intended users with a reasonable knowledge of GHG accounting and who are willing to study the information.

### **Completeness**

Ensure that the GHG report covers all product life cycle emissions within the specified boundaries (including temporal), state clearly any life cycle stages or significant non-GHG environmental impacts that have been excluded and justify these exclusions.

### **Consistency**

Use methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods, or other relevant factors in the time series.

### **Transparency**

Address and document all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the methodologies and data sources used. Clearly explain any estimates and avoid bias so that the report faithfully represents what it purports to represent.

### **Accuracy**

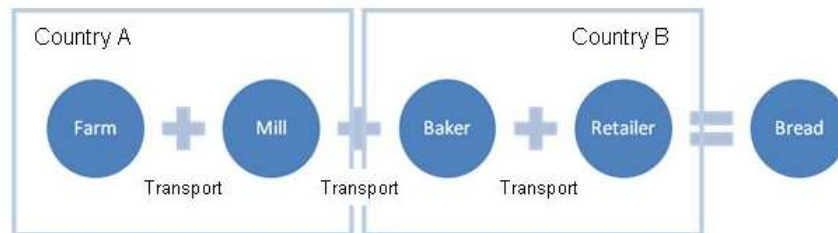
Ensure that reported GHG emissions are not consistently greater than or less than actual emissions and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the reliability of the reported information.

### 3. Overview of Product GHG Accounting

#### 3.1. Key Concepts

Many of today's products are supported by long and complex supply chains, making accounting for their GHG emissions along the product's life cycle challenging. **Figure 3-1** illustrates some of the complexities for a seemingly simple product: a loaf of bread. The upstream GHG emissions from the production of bread are spread across farms, mills, bakers, retailers and transport providers which may or may not be part of one company or corporation. Additionally, these activities may or may not take place in the same country. Finally, the company needs to consider the downstream emissions of the bread due to its purchase, consumption and disposal.

**Figure 3-1: A simplified life cycle for bread showing that the emissions associated with the final product occur across a range of organizations and countries**

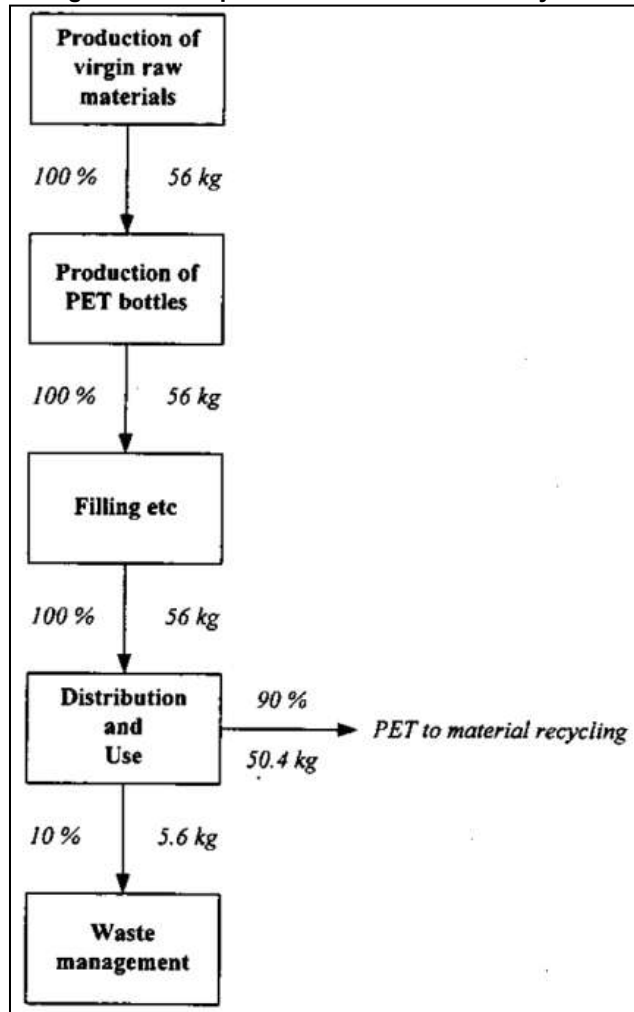


To begin understanding how to calculate the emissions of a product, the company first defines the functional unit. The functional unit is the quantified performance of a product system for use as a reference unit (BS EN ISO 14044:2006, 3.20), and establishes the basis for which the GHG inventory is calculated and reported. Some examples of functional units include drying 1000 pairs of hands; delivery of 1000 liters of fruit drink; provision of 890 lumens over 1 year; transport of 6 people and cargo by a vehicle over 100,000 miles; and many others.

The total GHG inventory over the functional unit of a product represent the sum of GHGs resulting from all stages of its associated life cycle within the specified system boundaries, also referred to as the product system. While **Figure 3-1** represents a simplified example, product systems may be very complex. **Figure 3-2** and **Figure 3-3** provide more detail by examining the product system of glass bottles used in the packaging of beer (Note: in this example the functional unit of the product system is 1000 liters of beer delivered and 439 kg of PET bottles are required to support this function). **Figure 3-2** identifies the key processes that compose the PET bottle product system. **Figure 3-3** examines the same product system in greater detail by providing a process view of the PET bottle product system with the same functional unit of 1000 L delivered.

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Figure 3-2: Simplified PET Bottle Product System



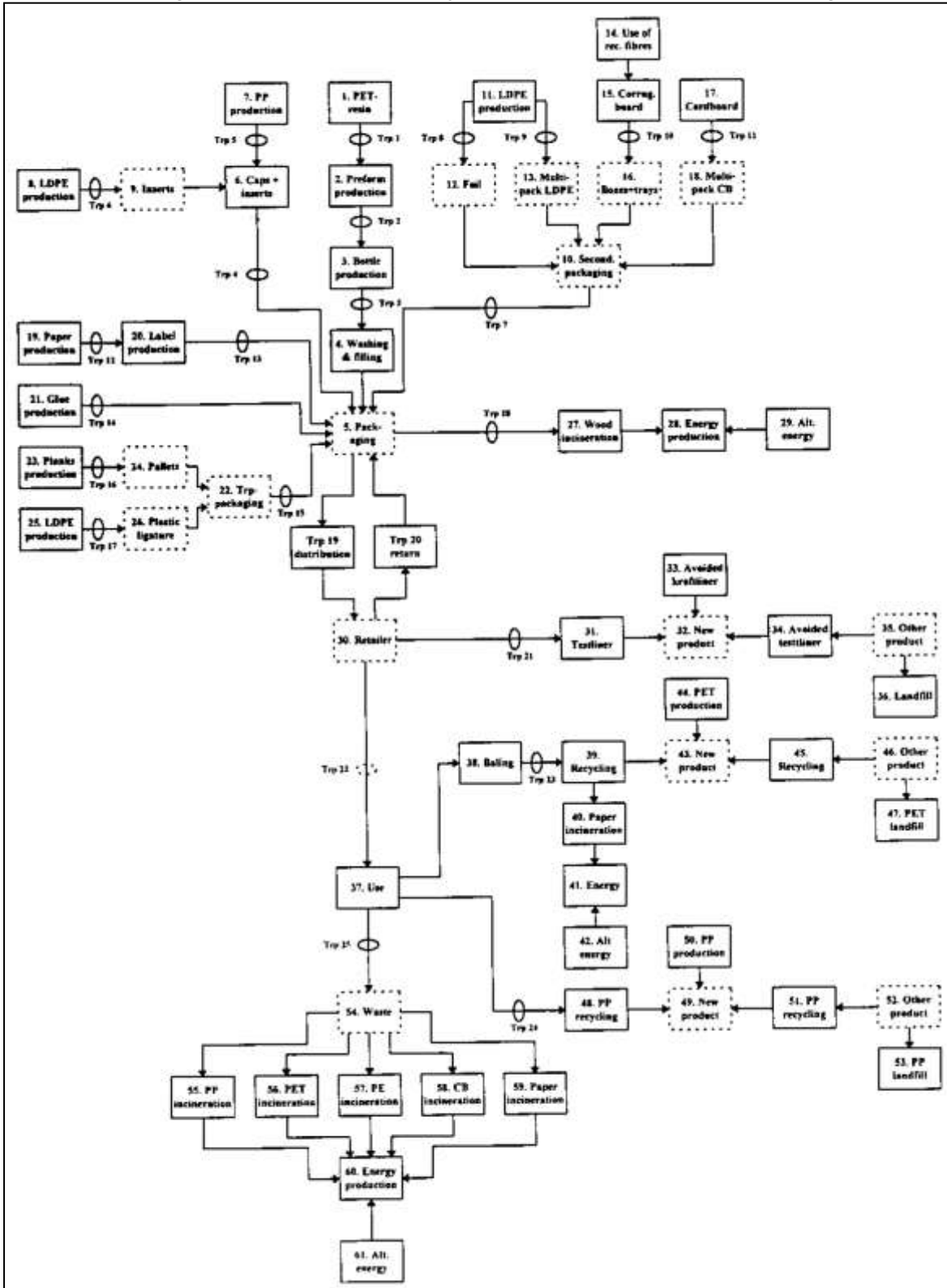
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Figure 3-3: Complete Product System for PET Bottles, Expanded from Figure 3-2



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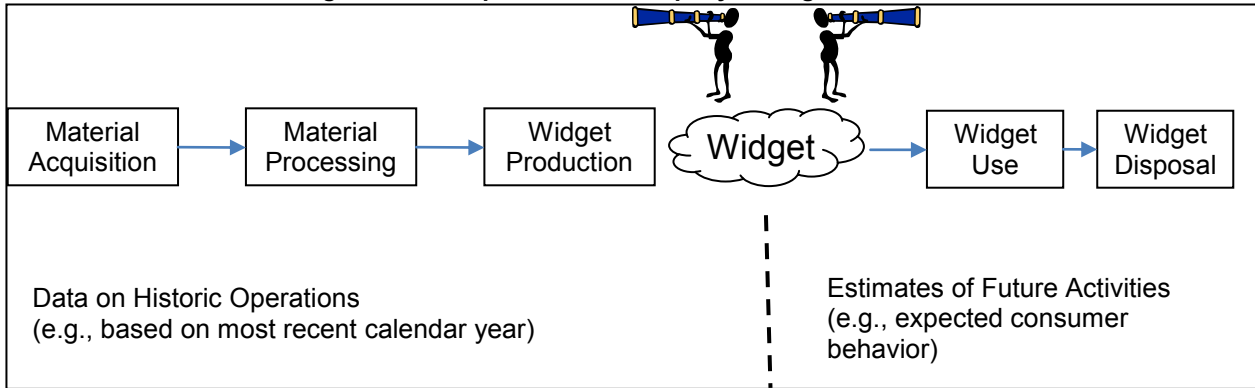
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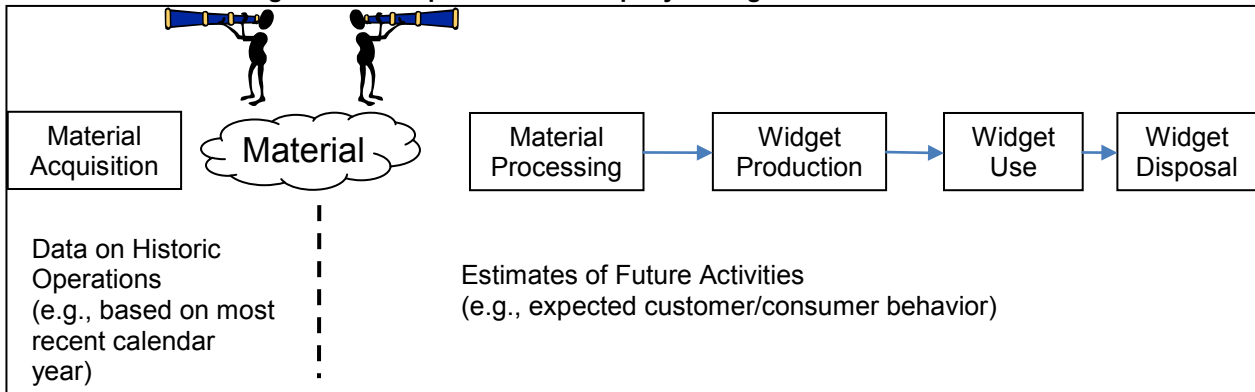
**Box 3-1: The Role of Perspective in Product GHG Accounting**

Multiple entities are involved in the production, distribution, use and disposal of products – including raw material suppliers, manufacturers, distributors, retailers, consumers, etc. Each entity in the supply chain has a different perspective in the life cycle of a given product. Depending on an entity’s position in a supply chain, a portion of the product’s life cycle emissions has occurred prior to their involvement in the life cycle, while the remainder of life cycle emissions will occur subsequent to their involvement in the product’s life cycle. **Figure 3-4** is an example of a company that sells a final good called a widget. In this example, all material acquisition, material processing, and widget production has occurred prior to the company’s involvement in the product’s life cycle. **Figure 3-5** is an example of a company that produces an intermediate good to be used in the production of the widget. In this example, material processing and widget production occur subsequent to the company’s involvement in the product’s life cycle.

**Figure 3-4: Perspective of a Company Selling Final Goods**



**Figure 3-5: Perspective of a Company Selling an Intermediate Good**



Understanding perspective in a product’s life cycle is important for several reasons. Perspective affects the types and quality of data a company is able to obtain, the level of influence a company has to make GHG reductions over portions of the product’s life cycle, and the methods for estimating emissions (i.e. past emissions may be measured using historical data while future emissions may be forecasted based on assumptions and models)

*(Additional examples to be provided, as needed)*

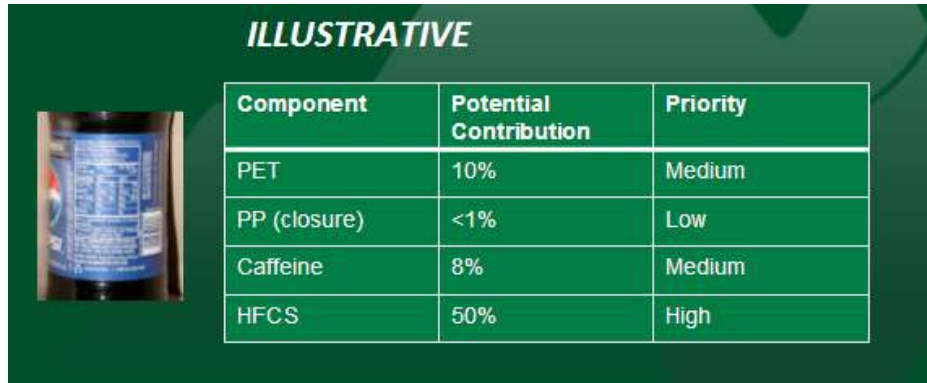
Mapping out the product system allows a company to identify the processes which are directly attributable to the functional unit, all of which need to be accounted for in the product GHG inventory. Collecting data on the GHG emissions of the processes may be time consuming; therefore, a company may benefit from organizing data needs and performing a data screening assessment.

Such screening assessments use readily available data to enable a quick, visual guide to assist in data collection efforts. **Figure 3-6** and **Figure 3-7** provide examples of how a screening assessment may be used to identify high priority areas for further in-depth analysis. In both cases, the main product elements are assessed using GHG emission factors derived from modeled data. Their relative GHG impact is then used to gauge their overall significance. In the case of **Figure 3-7**, data uncertainty is used in addition to help further differentiate the main product elements. This screening analysis of high level inputs may be combined with more qualitative assessments (for example, of data quality or uncertainty) to create a risk matrix that may



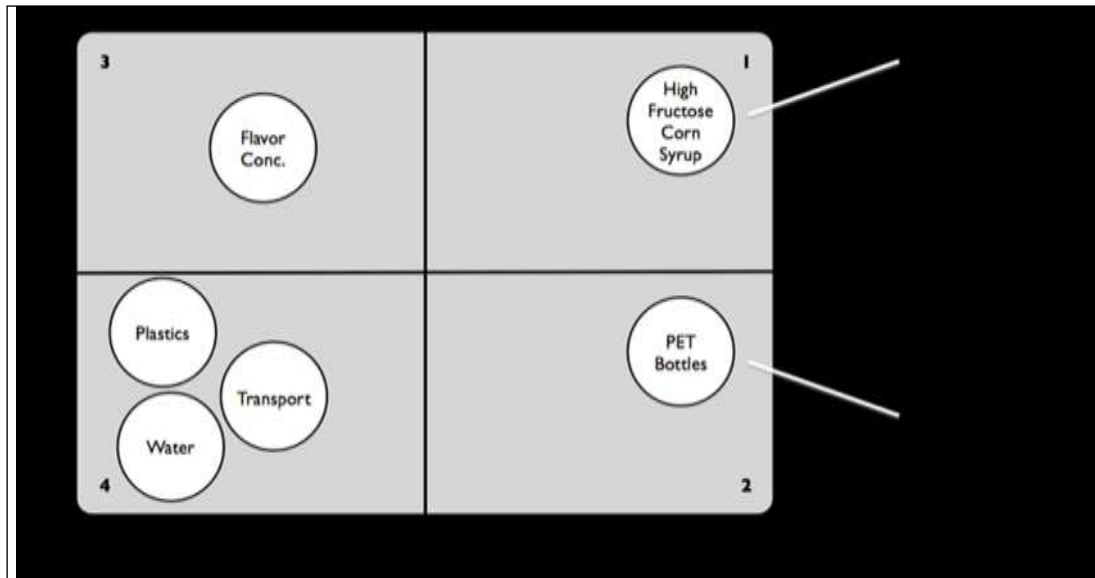
1 further inform decision-making. Although data for all processes are included in the product system GHG  
 2 inventory, a data screening may help a company prioritize data collection on processes or inputs with the  
 3 largest impact, as they require the best quality data.

4 **Figure 3-6: An Illustrative Example of how a Screening Analysis may Result in a High Level Analysis of GHG**  
 5 **Emission Contributions for a Plastic Bottle of Soda**



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**Figure 3-7: Example of a Screening Assessment for a Plastic Soda Bottle which Combines Estimated GHG Emissions Data and a Qualitative Assessment of Uncertainty**



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Once data has been collected for the GHG emissions of each process, the global warming potential of the product life cycle is determined. A company then uses these results to identify areas along the supply chain of a product where GHG reductions may be achieved.

Other environmental impacts occur during the life cycle of a product that may be important to consider in business or organization-level decisions. Therefore, while this standard only addresses the global warming potential of a product, it is worthwhile for users of this standard to consider the complete suite of environmental impacts when making decision on how to reduce their environmental impacts. Examples of potentially significant non-GHG impacts for some products include: clearing forests for palm oil production causing environmental degradation, excessive use of scarce resources such as freshwater in production of beverages, and health impacts from using lead-based paints.

The complexity of performing a product GHG inventory brings to light the need for consistent and accurate accounting standards. The concepts outlined in this standard are based on the concepts of life cycle assessment and derived from standards published on the subject (ISO 14040 and ISO 14044). A full list of standards and publications that may be beneficial for a company to refer to for more information on GHG inventories is given in Appendix F. It is important to note that the term GHG inventory is often used synonymously with a life cycle assessment considering only one impact category (global warming potential), or a carbon or GHG footprint.

1       **3.2.       Steps to Performing a Product GHG Inventory**

2  
3       **Figure 3-8** outlines the steps to perform a product GHG inventory in conformance with the GHG Protocol  
4       Product Standard.

5  
6  
7                       **Figure 3-8: Overview of Steps to Perform a Product GHG Inventory**



8  
9  
10       Standard requirements and guidance for each step is described in the following chapters.

## 4. Establishing the Methodology

### 4.1. Requirements

This standard is based on a process life cycle approach to product GHG accounting. Under the process life cycle accounting approach, companies shall quantify and aggregate the emissions from each specific process within the established boundary of the product system.

This standard is based on an attributional approach to product GHG accounting. Companies shall use an attributional approach to assign life cycle GHG emissions to an individual product system for the purpose of public reporting, unless existing sector-specific or program guidance stipulate the need to address indirect or consequential emissions sources. An attributional approach to GHG emissions accounting in products provides information about the GHG emitted *directly* by a product and its life cycle.

Companies shall account for and report emissions of all Kyoto Protocol greenhouse gases from the product life cycle. These include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), sulfur hexafluoride (SF<sub>6</sub>), hydrofluorocarbon compounds (HFCs), and perfluorocarbon compounds (PFCs). Companies may additionally report non-Kyoto gases as applicable.

### 4.2. Guidance

The total life cycle GHG emissions for a product are determined by aggregating the emissions associated with each process within the product system. This procedure is commonly known as the process approach to GHG inventory accounting. The process approach method involves quantifying and aggregating the emissions from each specific process within the established boundary of the product system. The information gathered during a process-based inventory allows a company to identify hot spots and reduction potentials throughout the supply chain. Other approaches to estimate GHG emissions of a product that do not facilitate reductions over the product supply chain (and are therefore not appropriate for this standard) include allocation of a corporate or county level inventory to represent an individual product, or using the economics and energy use of a product sector to estimate emissions.

#### 4.2.1. Assigning Emissions Responsibility Following the Attributional Approach

A core concept of process-based GHG inventories is that the reported GHG emissions should not cover only one facility or stage in a product's life cycle stage but rather consider the full set of processes that are associated with the product's entire life cycle. Two methodologies for performing process-based GHG inventories have been distinguished: the attributional approach and the consequential approach.

An **attributional approach** to GHG emissions accounting in products provides information about the GHG emitted directly by a product and its life cycle. The product system includes processes that are directly linked to the product by material, energy flows or services following a supply-chain logic.

A **consequential approach** to GHG emissions accounting in products provides information about the GHG emitted, directly or indirectly, as a consequence of changes in demand for the product. This approach typically describes changes in GHG emissions levels from affected processes, which are identified by linking causes with effects.

In general, the attributional approach is most applicable to product-level GHG accounting and reporting. Therefore, GHG inventories performed in conformance to this standard follow the attributional approach. Additionally, the attributional approach is:

- Consistent with existing GHG emissions accounting in the GHG Protocol *Corporate Standard*.
- Consistent with the intent of public reporting as a direct accounting of emissions attributable to a product.
- Consistent with traditional approaches to management and control of emissions.

1  
2 However, there are some cases where the consequential approach identifies indirect impacts that are  
3 important to consider for certain products, such as the impacts of indirect land use change on biofuels. If  
4 sector or product specific guidance exists, such as a product category rule (see **Box 4-1**), that identifies a  
5 need to include consequential impacts in a product-level GHG inventory, a company should follow that  
6 guidance. Additionally, a company using GHG inventory results to reduce emissions should consider the  
7 consequences of any decisions that may indirectly impact the market or demand for other products or energy  
8 sources.  
9

10  
11 **Box 4-1: Product Category Rules**

12 Sector or product category specific guidance plays an important role in clarifying accounting procedures for  
13 specific products. These product-level guidance documents, sometimes referred to as Product Category  
14 Rules (PCRs)<sup>4</sup>, contain information on functional units, product system boundaries, allocation procedures,  
15 and other product specific considerations. A PCR is a set of specific rules, requirements and guidelines for  
16 developing Type III environmental declarations for one or more product categories. (Source: ISO 14025, 3.5)  
17 An Type III environmental declaration is an environmental declarations providing quantified environmental  
18 data using predetermined parameters and, where relevant, additional environmental information. (Source: ISO  
19 14025, 3.2)  
20

21 Throughout this document, sector or category specific resources such as PCRs may be referenced as a  
22 secondary source of information beyond this standard to aid a company in making important inventory  
23 decisions. Additionally, in the reporting requirements a company is asked to disclose any sector or category  
24 specific literature that was used to complete the inventory.  
25

26 **Box 4-2: Comparison of Attributional and Consequential Accounting**

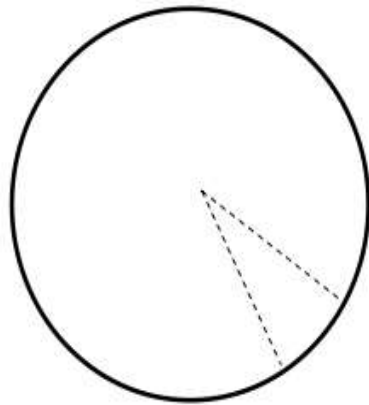
27 The objective of the attributional approach is to assign responsibility for the total emissions associated with a  
28 process to the process outputs. In contrast, the objective of the consequential approach is to assign  
29 responsibility for emissions based on changes in the system characteristics. While the attributional approach  
30 focuses on how to assign a known quantity of emissions to multiple products, the consequential approach  
31 focuses on how the total quantity of emissions changes as a result of the production and consumption of a  
32 given product.  
33

34 Under the attributional approach, the general rule for determining whether a process should be considered in  
35 life cycle GHG accounting is to determine whether the process is part of the supply chain of one of the life  
36 cycle stages of the product, i.e. is it possible to link the product with the process by following flows purchased  
37 materials, energy and services. This is a common approach to assignment of emissions, see the example  
38 below.  
39

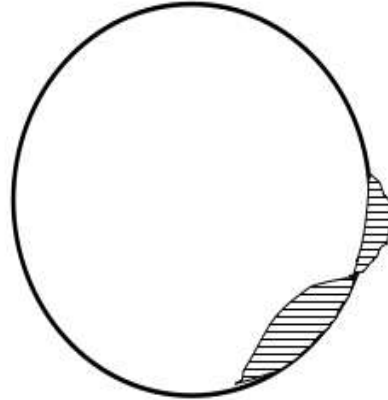
40 The main objective of the *consequential* approach, on the other hand, is to determine how global emissions of  
41 GHG may change based on the decision to produce and consume more of a specific product (or, equivalently,  
42 of a specific model of a product). The general rule for determining whether a process should be considered in  
43 the life cycle GHG accounting of a product is to determine whether the process may change its output based  
44 on the increased (or reduced) demand for the product. Information on how specific markets respond to  
45 changes in demand is used to determine what processes are affected. The consequential approach  
46 sometimes results in the *exclusion* of processes in the direct supply chain of a product because their output is  
47 unaffected, or in the *inclusion* of processes not part of the supply chain of a product because they are  
48 nonetheless affected.  
49  
50  
51  
52

**Figure 4-1: Illustrative Comparison of Attributional versus Consequential Approaches**

<sup>4</sup> A list of existing PCRs/PSRs worldwide can be found in the website of [GEDnet](http://www.gednet.org) (Global Type III Environmental Product Declarations Network).



Attributional



Consequential

Source: B P Weidema (2003) · [Market information in life cycle assessment](#). Copenhagen: Danish Environmental Protection Agency. (Environmental Project no. 863).

**Example**

Factory A's operations are associated with the emission of 10,000 kg of CO<sub>2</sub>e annually. Factory A produces 5,000 units of a product (call this Product A) over the same time period. Company B purchases Product A for use in production of Product B.

Under an attributional approach Product A is assigned 2 kg CO<sub>2</sub>e/unit (i.e., 10,000 kg CO<sub>2</sub>e/5,000 units).

Under a consequential approach examining the effects of increasing consumption of Product B, the emissions contribution from manufacturing for Product A to the life cycle of Product B depends on the cause-and-effect relationship between Product A and Product B. For example, one possibility would be that Factory A is operating at full capacity and additional units would necessitate facility expansion or outsourcing. This shift could have implications for the fuel mix used in manufacturing Product A and thus the GHG emissions contribution from manufacturing Product A to the life cycle of Product B.

*(Additional examples added if needed)*

## 5. Defining the Functional Unit

### 5.1. Requirements

Companies shall define the unit of analysis as the functional unit of the product. Companies shall consider the following elements when determining the functional unit:

- The function or performance characteristics provided by the product system
- Reference flow (i.e., amount of product necessary to fulfill the function and the quantity to which assessment results shall be normalized)
- Relevance to the study goal (i.e., why a particular functional unit was chosen in the context of a particular goal)

Companies should consider the following elements if relevant:

- Product/system properties that differentiate the function being provided based on properties such as technical quality and aesthetics
- Market segment characteristics such as geographic location, customer preferences and temporal scales

### 5.2. Guidance

In order to properly calculate the GHG inventory of a product it is necessary to develop a description of the product system that is being analyzed. The product system description should be in clear language, be as quantitative as possible, and be consistent with the goal of the study. The description should include the performance characteristics (function) of the product system and the functional unit.

#### What is a functional unit?

The functional unit is the quantified performance of the product system which is used as a reference unit (ISO 14044: 2006). The functional unit is necessary as it is the reference against which all relevant inputs and outputs of the product system are normalized. A functional unit is particularly useful for comparisons between products and services that provide the same function.

The description of the functional unit may be relatively uncomplicated for simple products and it may be multifaceted for complex products. For example, the functional unit for a study focused on calculating the GHG inventory of a basic material such as zinc might be defined as the primary production of a kilogram of special high grade zinc. For a more complex product, such as an appliance, the GHG inventory calculation might take into consideration the GHG emissions associated with the raw materials that go into the appliance, the emissions from manufacturing and the supply chain, the expected lifetime of the appliance, and the emissions associated with the use stage energy consumption and end-of-life. Therefore, the functional unit of the appliance needs to be more detailed and depending on the goal of the study it might need to include information on all of these aspects<sup>5</sup>.

#### How to define the functional unit

How a company defines the functional unit may vary depending on the material or product of interest and to whom the results are communicated. Regardless, the following elements need to be addressed when defining the study's functional unit:

- The quality of the product
- Service life
- Use Patterns
- Technical performance characteristics and maintenance requirements
- End-of-life of the product (e.g. availability of recycling infrastructure and ultimate fate of material(s), components or subcomponents)

<sup>5</sup> For further guidance on functional units the reader is referred to the list of standards and publications in the Appendix.

1 **Examples of Functional Units**

2  
3 **Hand drying**

4 For the service of drying hands, a number of options are possible. The selected functional unit for a study may  
5 be expressed in terms of *the identical number of pairs of hands dried for the systems studied*. For each  
6 system, it is possible to determine the reference flow, e.g. the average number of paper towels required for  
7 one hand-dry. It is also possible to compile an inventory of inputs and outputs on the basis of the reference  
8 flows and calculate the associated GHG inventory. At its simplest level, in the case of paper towel, this would  
9 be related to the paper consumed. The required elements to be included in the functional unit description for  
10 the paper towel product, for example, could be presented as follows:

- 11 - The paper towel product shall be of sufficient quantity to provide 1,000 individual hand-dryings  
12 following washing with water
- 13 - Each hand-drying requires 2 “sheets” of X” x X” size of X lb quality; therefore the reference flow is  
14 2,000 sheets
- 15 - The goal of this study is to establish the GHG inventory of typical hand towels under common  
16 usage conditions.

17 **Lighting**

18 In the provision of lighting, the quality and intensity of the light may be an important consideration. In industrial  
19 applications maintenance considerations may also be important as waste management (e.g. how often do the  
20 lights need to be cleaned or replaced) and whether they contain any hazardous materials that require special  
21 handling).

- 22 - The functional unit could be expressed as *Lighting 10 square meters with 3000 lux for 50000*  
23 *hours with daylight spectrum at 5600 K* (modified from The Product, Functional Unit and  
24 Reference Flows in LCA<sup>6</sup>)
- 25 - The reference flow to fulfill the above function could be: 300 light bulbs
- 26 - The goal of the study is to establish the GHG inventory of a specific light bulb over its full life  
27 cycle.

28 *(Additional examples to be provided as needed)*

29  
30 **Using Sector Specific Guidance to Define a Functional Unit**

31 This Standard recognizes the need for consistent functional units across product categories<sup>7</sup>. There are a  
32 number of Environmental Product Declarations systems around the globe that are defining functional units for  
33 a variety of product categories. Category or sector specific guidelines are a useful source of functional unit  
34 definitions within product categories, assuming they meet the specifications of this standard. These guidelines  
35 should be used as the source of the functional unit if they: 1) exist for the specific product category being  
36 evaluated, 2) meet the requirements of this standard for the functional unit definition as stated above, and 3)  
37 meet the goal of the study. In the absence of category guidance, industry groups, in consultation with  
38 appropriate stakeholders, may want to establish common definitions.

6 [http://www2.mst.dk/common/Udgivramme/Frame.asp?http://www2.mst.dk/udgiv/publications/2004/87-7614-233-7/html/indhold\\_eng.htm](http://www2.mst.dk/common/Udgivramme/Frame.asp?http://www2.mst.dk/udgiv/publications/2004/87-7614-233-7/html/indhold_eng.htm)

7 Functional units shall be consistent to perform product comparisons.

## 6. Boundary Setting

### 6.1. Introduction

Determining the boundary of the product system is an important step in performing a product inventory, as it defines the bounds for data collection. Additionally, rigorous and well defined product systems are necessary to meet the standard's goal of public reporting and disclosure. A life cycle consists of consecutive and interlinked stages; within each stage, processes that are attributable to the function of the studied product or service are considered within the product system boundary.

This Chapter establishes the standards for setting the product system boundary around the product life cycle to establish easy to follow, consistent rules. Although data collection is not considered specifically when establishing the product system boundary, the concepts of boundary and data are closely intertwined. Therefore, the boundary setting requirements of this standard were developed to allow all companies the ability to calculate emissions for a comprehensive product life cycle, all stakeholders easy to understand emissions calculations, and all readers or users of reported data actionable information.

### 6.2. Requirements

A company shall map the life cycle of the product from raw material acquisition through to end-of-life and disposal. This is referred to as a process map. Companies shall perform full life cycle GHG inventories (cradle-to-grave) for all products when applicable. In some cases, the use or end-of-life stages of a product may not be reasonably assumed. For these products, a partial inventory (cradle-to-gate) may be performed. End-of-life recycling shall not be included in a partial inventory. The temporal boundary of all GHG inventories shall be based on the product's lifetime and clearly reported. If the product's lifetime is unknown, a company shall assume a temporal boundary of 100 years.

Processes that are attributable to the function of the product shall be included in the boundary of the product system. These processes are directly connected over the product's life cycle by material or energy flows, from extraction and pre-processing of product components through to the product's end-of-life. These processes are referred to as foreground processes throughout this standard.

Processes that are not directly attributable to the function of a product include facility operations, corporate activities, and capital goods. These are referred to as background processes throughout this standard.

- Capital goods shall be included in the product system if deemed significant for the studied product or product sector
- Facility operations and corporate activities should be included in the product system where relevant

Significance shall be proven for capital goods using a qualitative or quantitative test. Qualitative significance is based on existing literature and/or sector specific data, while quantitative significance is based on the contribution of capital goods to the total system impacts. Companies shall perform the qualitative significance test first. If significance is not determined, a company should try to collect or estimate data before using the quantitative significance test. If neither test provides sufficient evidence of the insignificance of capital goods for the studied product or product sector, capital goods shall be considered significant and shall be included in the product system boundary. Use of either significance test shall be reported and assured.

*(Note to reviewers: The applicability of testing the quantitative significance of capital goods will be considered during the road-testing phase)*

### 6.3. Guidance

Foreground processes are identified by first mapping out the life cycle of a product. Five life cycle stages have been defined in this standard, which are illustrated in **Figure 6-1**.



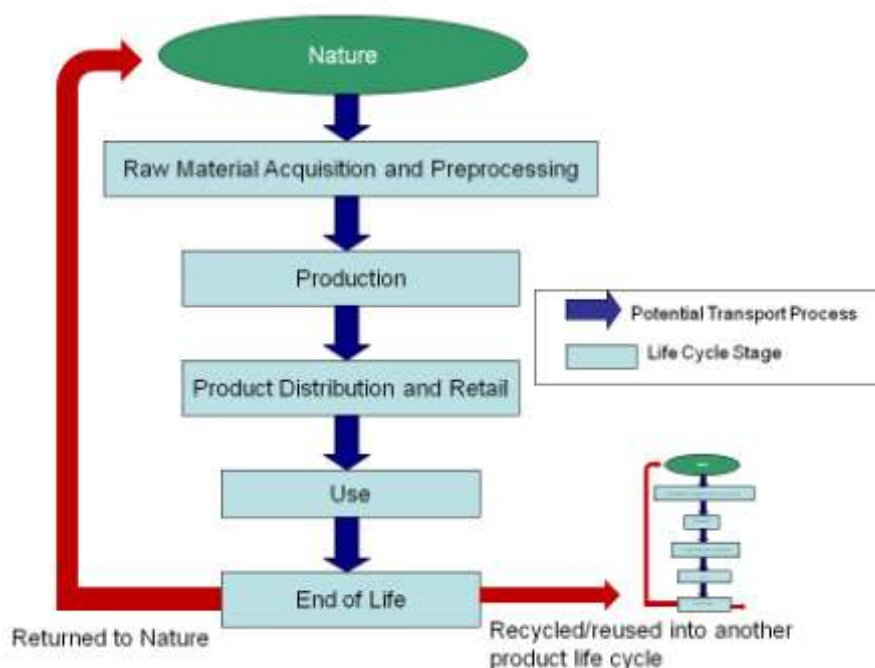


Figure 6-1: The Five Stages of a Product Life Cycle (Simplified for Illustrative Purposes)

Clear life cycle stage definitions are used to define boundaries and report emissions consistently across all products using this standard. The following identifies general boundaries and foreground processes associated with each life cycle stage:

**Raw Material Acquisition and Preprocessing:**

The raw material acquisition and preprocessing stage starts when the material is extracted from nature, and ends when the product components reach the gate of the production facility or service delivery operation. Raw material is defined as a primary or secondary material that is used to produce a product, which is typically supplied in the form of ingots, granules, powders, etc. as needed for the production process (note: secondary includes recycled material). If several materials are used for the product, several raw material acquisition stages may be included within the boundary. This stage often includes foreground processes such as

- Mining and extraction (materials or fossil fuels)
- Cultivation of land and harvesting of trees or crops
- Use of fertilizers
- Additional processes to make sure that the raw material meets the customer requirements, e. g. of form and chemical composition.
  - o Cleaning and sizing
  - o Chipping of wood for use in wood products
  - o Conversion of crops for use in food products
- Land use and direct land use change emissions, when applicable (see **Section 6.3.1**).

Because the stages are defined to represent the continuous path of a product through its life cycle, transportation occurs within these stages. For the raw material acquisition and preprocessing stage the boundary ends when the component reaches the gate of the production stage; therefore, the transportation of the component from one to the other is an important foreground process. Equally important are transportation processes that occur during the operations of a stage, an example being the transport of coal by trucks within the coal mine.

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**Production:**

The production stage starts with the product components entering the production site and ends with the final product leaving the production gate. Site and gate are used here figuratively, as a product may go through many foreground processes and corresponding intermediate facilities before exiting the production stage as a final product. During production, the product undergoes the transformation from product component, to intermediate product, to the final product; additionally, any co-products or wastes formed during production are considered in this stage. Production includes foreground processes such as:

- Production of the intermediate (semi-finished) product(s);
- Transport of intermediate products between foreground processes;
- Production of the final product by assembling of the intermediate products;
- Use of catalysts or other ancillary materials during production
- Any additional preparing of the finished product including forming, surface treatment, machining and other processes, as appropriate.

**Product Distribution and Storage:**

The product distribution and storage stage starts with the product leaving the gate of the production facility and ends when the consumer takes possession of the product. Several legs of distribution and storage may occur for one product, including storage at a distribution center and a retail location if applicable. Product distribution and storage includes foreground processes such as:

- Storage Operations
- Receipt
- Put away
- Cycle counting
- Picking
- Stock care
- Shipping activities
- Transportation between locations
- Retail activities

**Use Stage:**

The use stage begins when the consumer takes possession of the product and ends with the used product entering the end of life. For some products the use stage does not require energy or product emissions (i.e. a chair); for these products transportation from the storage facility to the use-location to the end-of-life location may be the major foreground processes. Typical foreground processes for distribution and use include:

- Transportation to the use location and during use
- Storage at the use location;
- Normal use;
- Repair and maintenance occurring during the usage time;
- Preparation of a product;
- Transportation to end-of-life.

**End-of-Life Stage:**

The end-of-life stage boundary begins when the used product is ready for disposal, recycling, reuse, etc. and ends when the product is buried, returned to nature (combustion, deterioration), or transformed to be recycled or reused. Few cases exist where the use stage and end-of-life stage occur simultaneously (i.e., food products, energy). However, in these cases a company should still consider the end of life of any waste, including packaging, accumulated throughout the life cycle. Processes that occur as a result of the disposal are also included within the end of life stage. End-of-life foreground processes may include:

- 1 - Collection of end-of-life products and packages;
- 2 - Dismantling of components from end-of-life products;
- 3 - Shredding and sorting;
- 4 - Incineration and sorting of bottom ash;
- 5 - Landfilling, landfill maintenance, decomposition emissions;
- 6 - Transformation into recycled material, e. g. by remelting.

7  
8 For a service, the production and use stage may be combined into the service delivery stage. This stage  
9 encompasses all operations required to complete a service. Considering the example of a home appliance  
10 repair person, these foreground processes include driving to the home, assessing the appliance, ordering or  
11 picking up parts, and returning to complete the final repair. All material flows (i.e. parts needed for the repair),  
12 energy flows (fuel to deliver the service person and/or parts), and end-of-life considerations of materials and  
13 wastes make up the foreground processes along the service life cycle.

### 14 6.3.1. Land Use and Land Use Change

15 Each piece of land contains a pool or reservoir of carbon known as a carbon stock. Carbon stocks have the  
16 ability to store or release carbon into the atmosphere. If land is in its natural state or left untouched for a  
17 period of time, a carbon stock equilibrium is reached between atmospheric and soil carbon. A change to the  
18 carbon stock, which occurs when land is changed from one use to another, may result in either a release or  
19 removal of carbon to or from the atmosphere. If land is used to cultivate biomass for use in a land-based  
20 product, the change in carbon stock due to land use and land use change is considered directly attributable to  
21 the product and is therefore included in the product GHG inventory<sup>8</sup>.

#### 22 **Box 6-1: Key Concepts of Land Use and Land Use Change**

23  
24 **Land use** is defined as the specific type of activity occurring on the land, based on certain land  
25 categories. Land categories include forest land, cropland, grassland, wetlands, settlements and others  
26 (unmanaged lands that do not fall into the other five categories such as bare soil or rock) (IPCC). For  
27 instance, if the land category is crop land, the land use may be crop production. Land use causes changes in  
28 the carbon stock of land which may result in GHG emissions.

29  
30 **Land use change** occurs when land use changes, either from one category to another or within a  
31 land use category (e.g. when a natural forest is converted to a managed forest). Land use change does not  
32 include changes in crop cover or crop rotations that occur within the cropland category. Land use change is of  
33 two types: Direct and Indirect.

34  
35 **Direct Land Use Change** refers to the conversion of unmanaged to managed land to directly  
36 produce a land-based product.

37  
38 **Indirect Land Use Change** occurs when a change in direct land use causes displacement of land  
39 categories on other lands (beyond the direct land use for the product). This displacement is a result of market  
40 forces and marginal impacts and is therefore consistent with a consequential modeling approach and not  
41 considered within this standard (although may be applicable for certain products based on category or sector  
42 specific guidance – See Box 4-1).

43  
44 **Land-Based Products** are any products or product components that contain biomass and therefore  
45 could alter the carbon stock of the land from which they are extracted or harvested.

### 46 47 6.3.2. Identifying Use and End-of-Life Foreground Processes

48 For most products, the product components and product manufacturing are well known processes. Once the  
49 product enters into the control of the user, it is less certain what the use phase and end-of-life of that product  
50 may be. For example, although a frozen meal has instructions on how it should be prepared and how long it  
51 should be stored, a company cannot prevent a user from disobeying those instructions. This could have an  
52 impact on the GHG inventory if a user keeps a product in the freezer for 1 year instead of the recommended 3

<sup>8</sup> Guidance on collecting and calculating data on land use and land use change is available in Appendix B.

1 months. Therefore, it is imperative that a company relays to the user what use and end-of-life assumptions  
2 have been made and how the user's actions could impact the GHG inventory of a product. This includes  
3 transport distances, storage (place and length), preparation, and disposal. A company should base their use  
4 and end-of life assumptions on manufacturer recommended use phase instructions and typical disposal. In  
5 the case where no manufacturer's recommendations exist, a company should refer to one of the following:

- 6 - Sector-specific guidance that specifies the requirements and guidance for developing  
7 scenarios and service life for the use stage of the product being assessed;
- 8 - Published international standards that specifies the requirements and guidance for developing  
9 scenarios and service life for the use stage of the product being assessed;
- 10 - Published national guidelines that specifies guidance for developing scenarios and service life  
11 for the use stage of the product being assessed;
- 12 - Published industry guidelines that specifies guidance for developing scenarios and service life  
13 for the use stage of the product being assessed;
- 14 - A scenario and service life for the use stage defined by the organization undertaking the  
15 product inventory.

16 Distance from use to disposal and disposal procedures (i.e. landfill, incineration) should be based on the  
17 average values for the area (state, region, country) where the product is used. If recycling is part of a  
18 product's end-of-life, a company should account for those processes following the procedures and guidance  
19 given in **Chapter 8**.

20 Carbon storage may arise during the use phase of a product when biogenic carbon forms part or all of a  
21 product (e.g. wood fiber in a table), or when atmospheric carbon is taken up by a product over its life cycle  
22 (e.g. cement). Due to the uncertainty of the use phase of a product, carbon storage should not be included as  
23 a carbon credit in the GHG inventory; however, the carbon storage potential of a product should be reported  
24 separately, as identified in the reporting requirements.  
25

### 26 6.3.3. Temporal Boundary

27  
28 The temporal boundary of a study effects data considerations over the life cycle, particularly in the use and  
29 end-of-life stages. Some products have distinct temporal boundaries, while others could vary largely  
30 depending on the user. Additionally, products may remain in a landfill indefinitely. All products should be  
31 assessed until the end of their distinct service life and disposal. However, if no distinct lifetime is known, a  
32 temporal boundary of 100 year should be assumed.  
33

### 34 6.3.4. Intermediate Products

35 For some products the use of the product in its final form is unknown. These are intermediate products which  
36 include, but are not limited to, metals, resins, plastics, and machinery components (i.e. ball bearings).  
37

38 For intermediate products, a cradle-to-grave assessment may not be feasible if the eventual fate of a product  
39 is unknown. For example, a manufacturer of plastic resin may sell its product to a customer without knowing  
40 whether the plastic resin may eventually be transformed into plastic bottles, car parts, laptops, etc. In such a  
41 case, companies may conduct a cradle-to-gate assessment. Producers of intermediate products should  
42 provide cradle-to-gate assessments of their products to their customers as a step toward the calculation of  
43 complete cradle-to-grave assessments of final products.  
44

45 When justifying why a cradle-to-gate inventory is reported, a company should clearly disclose the cradle-to-  
46 gate nature of the inventory, and have assurance that their product meets the criteria of an intermediate  
47 product. For example, although general resins may be consider an intermediate good, if a company makes a  
48 certain resin that is only used in one product, then a cradle-to-grave inventory is required. Additionally, a  
49 cradle-to-grave inventory is required for any branded product that is sold to an end user. For example, if a  
50 resin is sold in a retail store then the company that produced the resin should be able to make assumptions  
51 about the use and end-of-life of that product.  
52

1 A company should not include any end-of-life recycling of an intermediate product in a cradle-to-gate  
2 assessment. To include recycling of an intermediate product in the GHG inventory, a cradle-to-grave  
3 assessment is required.

4  
5 Producers of intermediate products should optionally choose one representative end use application for their  
6 product and conduct a full cradle-to-grave assessment for a representative product. For example, if a  
7 manufacturer of plastic resin knows that the majority of its resin is used as an input to manufacture plastic  
8 bottles, the company should choose plastic bottles as its representative product for conducting a cradle-to-  
9 grave assessment. The company should then report emissions on both a cradle-to-gate basis (for plastic  
10 resin) and cradle-to-grave basis (for plastic bottles).

11  
12 **Box 6-2: Full (cradle-to-grave) and Partial (cradle-to-gate) GHG Inventories**

13 Products are divided into two categories:

14  
15 **Intermediate products:** goods and services that are used as inputs in the production of other goods and  
16 services. Intermediate goods do not enter the use stage in their current form, but are instead inputs to other  
17 products and require further transformation within the system. Examples include a steel bar, microchip, and  
18 electrical motor.

19  
20 **Final products:** goods and services that are ultimately consumed by the end user rather than used in the  
21 production of another good or service. Final goods enter the use stage in its current form without further  
22 transformation. Examples include a car, laptop computer, or vacuum cleaner.

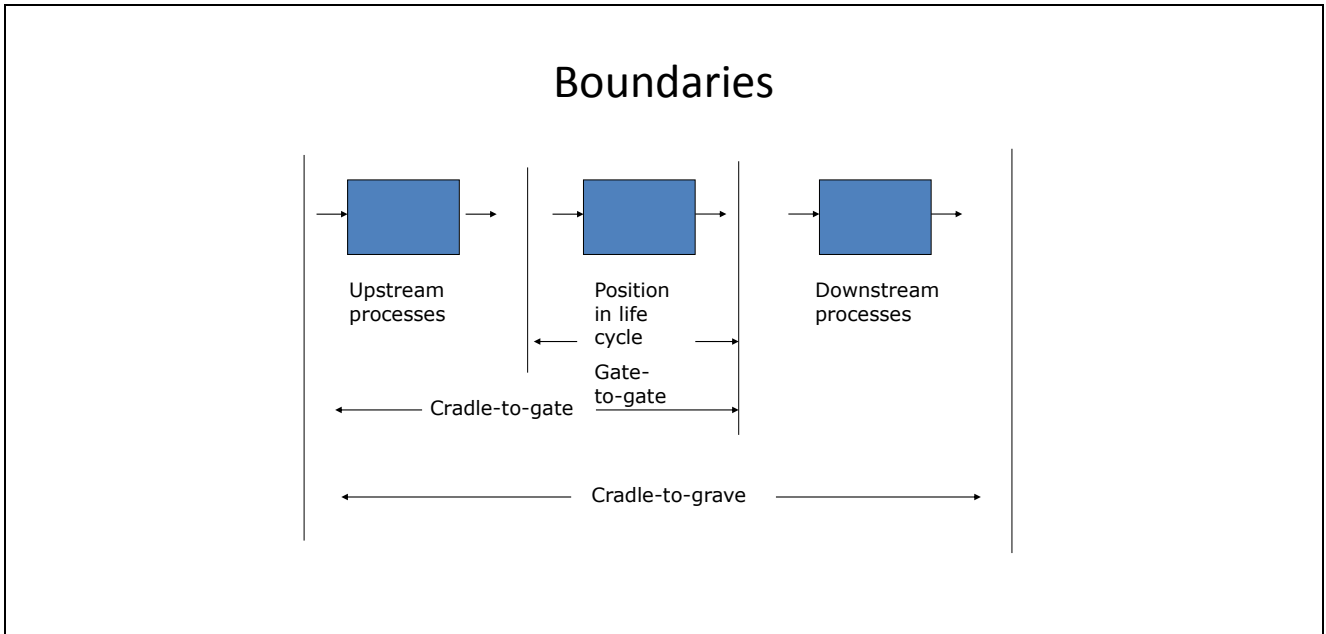
23 (Note: In some cases, the end user is a company producing other goods. These products are considered  
24 final goods rather than intermediate goods. Examples include catalysts, turbines, fuels, etc.)

25  
26 Product GHG inventory assessments are divided into two categories:

27  
28 **Cradle-to-gate: a partial inventory** that includes all GHG emissions in the life cycle of a product from the  
29 beginning of the life cycle (e.g. raw material acquisition) up through the point of sale to the customer,  
30 including the emissions from processes owned or controlled by the reporting company. From the perspective  
31 of the reporting company, a cradle-to-gate assessment includes data on historic emissions but excludes  
32 estimates of future emissions after the product is sold to the customer. A cradle-to-gate assessment is a  
33 subset of a cradle-to-grave assessment. These are sometimes referred to as Business-to-Business (B2B)  
34 inventories.

35  
36 **Cradle-to-grave: a full inventory** that includes all GHG emissions in the complete life cycle of a product  
37 from the beginning of the life cycle (e.g. raw material acquisition) through final disposal or end use by the end  
38 consumer. From the perspective of the reporting company, a cradle-to-gate assessment includes both data  
39 on historic emissions and estimates of future emissions. These are sometimes referred to as Business-to-  
40 Customer (B2C) inventories.

41  
42 **Figure 6-2: Illustration of Cradle to Gate and Cradle to Grave Boundaries**  
43



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2

### 6.3.5. Process Mapping

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4

A process map identifies stages and foreground processes throughout the product life cycle. A company should track wastes, co-products, and component inputs within the process map. However, as specifics about the processes and inputs of a product may be considered confidential, a company may report a generic version of the process map. At a minimum, the reported process map should make clear:

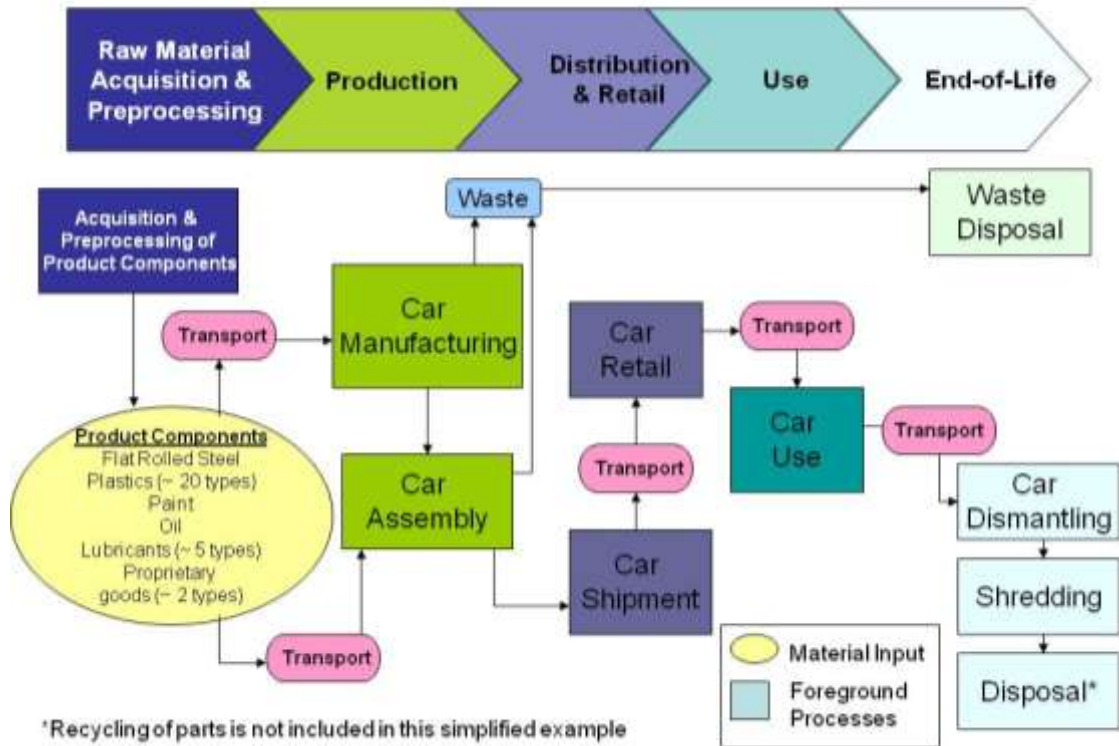
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- The flow of a product (and its components) through its life cycle
- The life cycle stages considered in the study
- The general processing steps of a product

An example of a minimal process map to be reported for the production of a car is given in **Figure 6-3**. A company is encouraged to prepare a detailed process map for internal use, as process maps help to visualize data needs and should inform assurance providers of the scope of the product system.

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**Figure 6-3: Example Process Map for a Car (Full Inventory)**

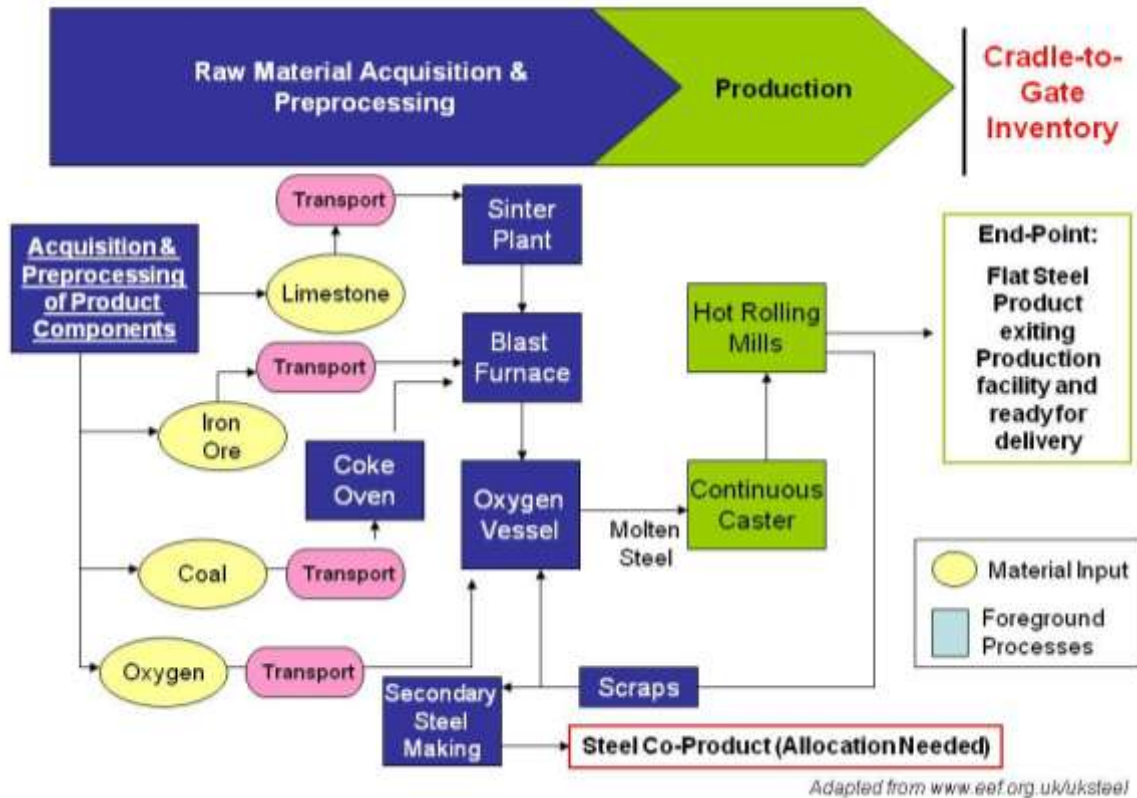


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The general stage definitions are provided as guidance, and depending on the particular product a company may find that disaggregating the stages provides more insight into the emissions of the product. This could include separating raw material extraction from preprocessing and component transport, or separating the production process into many stages. Further separation of stages may provide a company with additional insight into areas for potential GHG reductions. This is particularly true for an intermediate product where only some of the five stages are included in the inventory. **Figure 6-4** illustrates a process map for a partial inventory of an intermediate product. In this example, some recycling is shown as it occurs within the extraction and fabrication stages; however, if the company wanted to include recycling of the flat steel product after its use, a cradle-to-grave assessment is required. For an intermediate product, a company should clearly state the end-point of the inventory. For this example, the end point is a flat steel product exiting the production gate and ready for delivery.

1  
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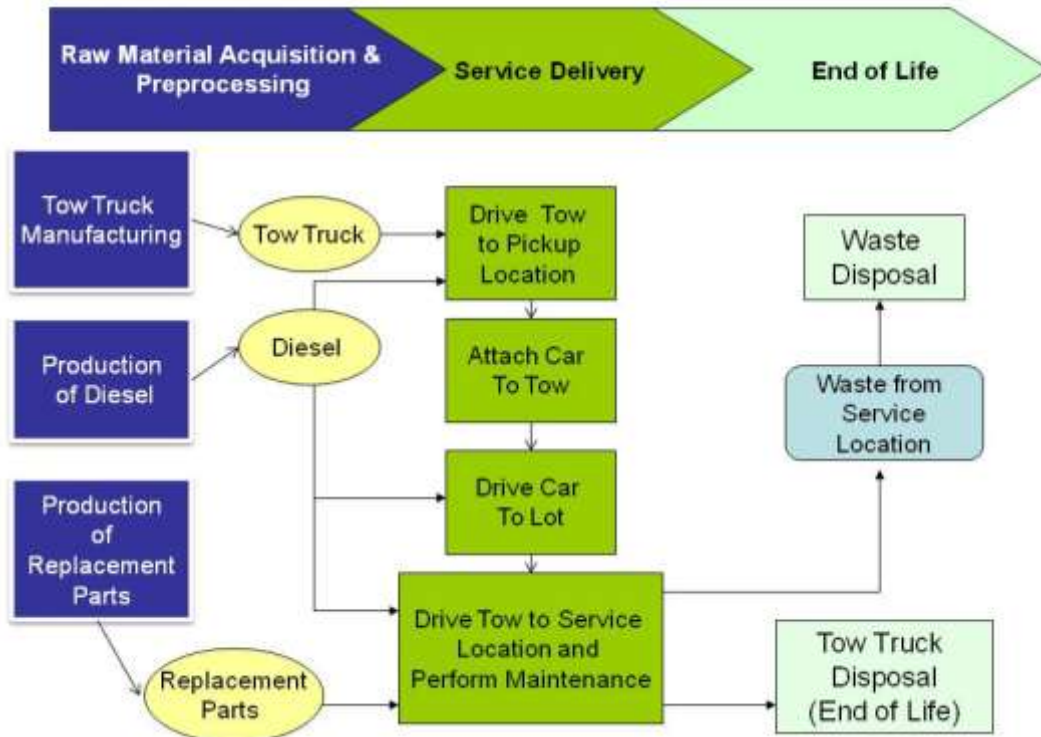
Figure 6-4: Example Process Map for Flat Steel Product (Partial Inventory)



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Process maps should also be created for a service, as illustrated in Figure 6-5. Because a service may not follow the same life cycle stages as a good, the assurance provider should assure that all relevant processes for a service are included in the inventory.

Figure 6-5: Process Map for a Tow Truck Service



11



### 6.3.6. Background Processes

Background processes are not directly attributable to the function of a product. In general, three types of background processes exist:

- Facility Operations
  - o Facility utilities to run day-to-day activities (electricity, water use)
  - o Capital good management (on-site transport, maintenance)
  - o General facility supplies (paper, cleaners)
  - o Treatment of emissions (water or air)
- Corporate Activities and Services
  - o Personnel
  - o Financial Accounting
  - o Information Systems Management
  - o Marketing
  - o Research and Development
  - o “Headquarters” activities
  - o EH&S
  - o Travel
- Capital Goods

Facility operations and corporate activities should be included in the product system boundary, where relevant. Companies that do have corporate inventories are encouraged to account for the portion of the corporate inventory allocated to their product, even if this accounting is done internally and not publicly reported. This allocation should be done by physical relationship or economic factors, and should give the company an idea of the magnitude of these processes compared to emissions along the life cycle of a product (more information on allocation is located in **Chapter 8**). Furthermore, when a company reduces its GHG emissions on a corporate and/or product level, the positive impacts and synergies may be felt in both inventories. Additionally, including facility operations (which typically include electricity use for utilities) in a product GHG inventory would allow a company to pursue energy saving strategies are part of their product GHG reduction plan.

Capital goods are included in the product system boundary if deemed significant to the product. Before testing significance, best practice is for a company to collect data for these activities and include these within the boundary as this would provide the most complete account of the GHG inventory (see **Chapter 7** for data collection requirements). If data cannot be collected, a company may look to approved<sup>9</sup> sector or product-specific standards and literature to determine if capital goods may be excluded. One example<sup>10</sup> of this is a paper published by Rolf Frieschnecht et al. which summarizes the significance of capital goods, as shown in **Table 6-1**. From this example a company may conclude that any sectors with minor impacts from capital goods could claim insignificance.

<sup>9</sup> The process for which the publications will be approved has not been determined yet. Alternatively their use could be assured on a case-by-case basis.

<sup>10</sup> It has not been determined whether this example is an “approved” source. Subject to change.

Table 6-1: The influence of Capital Goods on Specific Sectors (Frieschknecht *et al.*, 2007)

Sector	Capital Goods Impact on Climate Change
fossil energy	minor
nuclear energy	substantial
biomass energy	substantial
renewable energy, not else covered (hydro, wind, solar)	major
metals	minor
mineral construction materials	minor
wood products	minor
agricultural products	minor
transport services	substantial
waste incineration	minor
landfilling	substantial
wastewater treatment	major

If qualitative data is not available, a company may choose to estimate capital goods, or continue with the quantitative significance test. A company is encouraged to engage in estimation before moving forward with the significance test, which in itself may require considerable effort to determine insignificance<sup>11</sup>.

Quantitative significance involves estimating the environmental impact of an input; for the case of capital goods, if the type or quantity of goods is such that it has a negligible GHG impact on the inventory results, then capital goods may be excluded. Negligible is defined here as less than 1% of the total process or life cycle stage. Therefore, one would need to provide evidence of the following:

- The material input for capital goods has no known GHG hot-spots along its life cycle (i.e. the material GHG profile is similar to other typical capital goods inputs such as concrete and cold rolled steel).
- The material input is negligible when compared to other inputs within a process or stage

*(Note to reviewers: The applicability of testing the quantitative significance of capital goods will be considered during the road-testing phase)*

<sup>11</sup> Guidance on estimating data for capital goods will be included in the Standard (to be developed)

## 7. Collecting Data

Undertaking a product inventory involves collecting emissions factors, activity data and/or GHG emissions for the various processes associated with a given product. The following requirements focus on the types of data, while the guidance provides steps to help a company collect data effectively and efficiently.

### 7.1. Requirements

Primary data shall be collected for all foreground processes and significant background processes under the financial control or operational control (as defined by the GHG Protocol *Corporate Standard*) of the company undertaking the product inventory.

For all other processes, data of the highest practical quality shall be collected. Quality is based on how well the data represents the actual process, and is defined in detail in **Chapter 9**. For processes where a company may engage suppliers to meet data collection needs, high quality primary data is preferred. For all other data needs, the best quality secondary data is preferred. Any remaining data gaps shall be filled using proxy or extrapolated data.

#### Box 7-1: Types of Data

**Primary data:** relates to activity data, emissions factors, or direct emission measurements for a specific process related to a specific product manufactured by a company or another company in its supply chain. Site specific primary data come from the production sites associated with the processes within the system boundary. They include emissions factors,<sup>12</sup> activity data and/or emissions.

**Secondary data:** relates to activity data, emissions factors or direct emissions measurements for processes related to a specific product that are not directly measured by the reporting company or a company in its supply chain. Secondary data may be process data or non-process data (e.g. environmentally extended input-output data).

**Process data:** physical flow data relating to the individual process within the defined system boundary, and may consist of site specific primary data, generic/average secondary data, and secondary data from literature studies, expert estimates, and impact assessments

**Input-Output data:** Non-process data derived from an environmentally extended input-output analysis (IOA), which is the method of allocating GHG emissions (or other environmental impacts) associated with upstream production processes to groups of finished products by means of inter-industry transactions. The main data sources for IOA are sectoral economic and environmental accounts. Economic accounts are compiled by a survey of facilities on economic inputs and outputs and tax data from individual establishments. Environmental accounts are derived from (surveyed) fossil fuel consumption by industry and other GHG sources compiled in national emission inventories.

**Extrapolated data:** Primary or secondary data related to a similar (but not representative) input, processor activity to the one in the inventory that are adapted or customized to a new situation to make more representative. For example, using data from the same or a similar activity type and customizing the data to the relevant region, technology, process, temporal period and/or product.

**Proxy data:** Primary or secondary data related to a similar (but not representative) input, process, or activity to the one in the inventory, which may be used in lieu of representative data if unavailable. These existing data are directly transferred or generalized to the input/process of interest without adaptation.

### 7.2. Guidance

Data collection may be a time consuming and expensive exercise, potentially involving a number of people within the company and outside the company. While the highest quality data is preferable, there may be times where cost, time and availability of data are limiting. Where possible there is a preference for verifiable, good quality primary data.

<sup>12</sup> Emissions factors may come from databases and other secondary data sources or can be derived specifically for the fuels or the process on a specific site

1  
2 To ensure that a company exerts an appropriate level of effort in terms of collecting data related to the largest  
3 emissions sources, the following steps are recommended.

4  
5 *Step 1: Establish a data management process*

6 Documenting the data collection process is useful for internally revising the product inventory, for any  
7 external reviewers of the product inventory (e.g., assurance provider), for taking steps to improve the  
8 quality of data in the inventory, and for any future development of product inventories of the same or  
9 similar products. To ensure that all the relevant information is documented a data management plan  
10 should be established early in the product inventory and data collection process. Detailed guidance  
11 on how to create and implement a data management plan is located in **Appendix A**.

12  
13 *Step 2: Identify all sources*

14 Once the system boundary has been defined, a list of all relevant individual emissions sources and  
15 processes should be determined.

16  
17 *Step 3: Screen all sources*

18 A rapid emissions screening process should be undertaken for all individual emissions sources and  
19 processes. This involves using readily available information (e.g., from a lifecycle database, previous  
20 studies, input-output tables, corporate inventory) to compile a rough estimate of emissions from the  
21 various sources associated with each process.

22  
23 *Step 4: Identify the large emissions sources*

24 Using the estimate of emissions in the screening step, identify the large emissions sources. The  
25 definition of large may vary between inventories as the company only uses it as a guide for where to  
26 focus their data collection efforts. The large emissions sources should also be split into those the  
27 company controls and those they do not.

28  
29 *Step 5: Focus data collection on the large emissions sources*

30 For any emission source that the company controls, primary data is collected. This may involve  
31 liaising with personnel within the company to collect the required information. Greater efforts should  
32 be made to improve the accuracy and quality of the primary data for the larger emissions sources. For  
33 sources that are not controlled by the company, secondary data should be used. However, to improve  
34 the accuracy of the product inventory, every effort should be made to collect good quality primary  
35 from suppliers (see **Box 8-1**). Again, more efforts should be placed on improving the accuracy and  
36 quality of data for the larger emissions sources.

37  
38 For the remaining emissions sources, list all possible data sources and identify the highest quality  
39 data possible given the remaining resources.

40  
41 *Step 6: Fill any remaining data gaps*

42 There should be no data gaps for any foreground or significant background processes. Therefore, any  
43 remaining data gaps should be filled using extrapolated, proxy data.

44  
45 The data collection process is an iterative process where additional data is constantly being sought and  
46 improved until the data is of desired quality, no further improvements are possible, or until financial or other  
47 resource constraints are reached.

48

**Box 7-1: Importance of Primary Supplier Data**

Good quality primary data from a supplier should improve not only the accuracy of the product inventory but enable a company to better manage reductions in GHG emissions along their supply chain. For many product inventories, a majority of GHG emissions may come from the inputs used to produce a product. Therefore, an effective way for a company to reduce their product-level emissions is by procuring inputs with lower GHG emissions or working with their suppliers to reduce the emissions associated with the products they produce.

Good quality data is key to being able to effectively reduce emissions. Therefore, the best type of information from the supply chain is:

- Based on process-specific information and not disaggregated site information from a corporate inventory
- Provides sufficient supporting information to enable the user to understand how the data was gathered and emissions were estimated and the overall quality of the information.

**7.2.1. Guidance on Choosing Data**

The data collection process should always be guided by data quality considerations. In practice, the data used in a product inventory may be a mix of measured, calculated and estimated data from both primary and secondary data sources. However, the type of data does not provide an indication of the data's quality, so the appropriateness of each data source should be independently judged based on its quality. The subsequent text summarizes the types of data available for a product inventory:

**Site specific process data (primary data):** These data come from the production sites associated with the processes within the system boundary. They include emissions factors,<sup>13</sup> activity data and/or emissions.

The challenge with site specific process data is disaggregating data for an entire production site to a single product / process. For example, allocating annual average electricity consumption from one production site to the specific processes used in the production of a specific product(s). Allocation procedures are described in **Chapter 8**.

**Generic/average process data:** These data are secondary process data which represent averages of site-specific process data collected from organizations or associations which run the same type of processes or from multiple facilities within the one company (e.g., emission factors supplied by industry associations).

To provide high quality generic/average process data, site specific process data are collected and aggregated to determine average data for a specific type of process. This is useful, for example, where confidentiality concerns preclude obtaining site specific process data or where it is not possible to identify the specific supply source(s) of an input.

**Process data from literature studies and expert estimates:** These data are secondary process data that come from literature studies, lifecycle databases and expert estimates. The quality of these data is likely to be highly variable depending on the source and/or product for which the inventory is being undertaken.

**Impact Assessment results:** For example, GHG figures for ingredients from literature sources.

**Input-Output data:** are non-process secondary data derived from environmentally extended input-output analysis (IOA) which is the method of allocating GHG emissions (or other environmental impacts) associated with upstream production processes to groups of finished products by means of inter-industry transactions. The main data sources for IOA are sectoral economic and environmental accounts. Economic accounts are compiled by a survey of facilities on economic inputs and outputs and tax data from individual establishments. Environmental accounts are derived from (surveyed) fossil fuel consumption by industry and other GHG sources compiled in national emission inventories.

**Extrapolated data:** Primary or secondary data related to a similar (but not representative) input, processor activity to the one in the inventory that are adapted or customized to a new situation to make more

<sup>13</sup> Emissions factors may come from databases and other secondary data sources or can be derived specifically for the fuels or the process on a specific site

1 representative. For example, using data from the same or a similar activity type and customizing the data to  
2 the relevant region, technology, process, temporal period and/or product.

3  
4 **Proxy data:** Primary or secondary data related to a similar (but not representative) input, process, or activity  
5 to the one in the inventory, which should be used in lieu of representative data if unavailable. These existing  
6 data are directly transferred or generalized to the input/process of interest without adaptation.

7 The most representative, reliable and highest quality data should be used when compiling a product inventory.  
8 Any reviewer of the product inventory should be able to determine the quality of the data and be assured that  
9 they reasonably represent the relevant aspects of the foreground and background process(es). The quality of  
10 the data used should match the purpose of the product account. For example, screening assessments might  
11 use data that are not geographically specific nor include any site specific process data, while publicly  
12 disclosed accounts would aim to use as much site specific or generic process data as possible.

### 13 7.2.2. Guidance on Collecting Data

14  
15 The following considerations should guide the data collection process:

- 16 - Data collection should follow the GHG Protocol principles of accuracy, completeness, relevance, and  
17 transparency to ensure a true and fair account of a product GHG inventory.
- 18 - The system boundary defines the processes and inputs that data is collected for.
- 19 - Primary data is collected for all foreground processes and significant background processes under the  
20 financial or operational control of the company undertaking the product inventory.
- 21 - Every effort should be made to collect good quality primary data from suppliers.
- 22 - Comparing primary data to secondary data may be used to check the validity of the collected primary  
23 data.
- 24 - Data should represent as closely as possible to the time, geography and technology of the relevant  
25 inputs/processes.
- 26 - Time, expense and accuracy may need to be considered when collecting information. Therefore,  
27 more effort should be put in improving the accuracy of larger emission sources.

#### 28 29 **Collecting primary data**

30  
31 Primary data includes:

- 32 - GHG emissions that have been directly measured from the production sites associated with the  
33 processes, e.g., GHG emissions from a fermentation process
- 34 - Activity data from inputs used to produce the specific product at the production sites, e.g., kilograms  
35 of fertilizer used, liters of fuel used.
- 36 - Emissions factors that have been derived from the actual process at the production sites or actual  
37 inputs used in the product, e.g., GHG emissions per hour generated from operating a piece of  
38 equipment or the GHG emissions per unit should be determined specifically for the fuel to be used to  
39 fire a boiler.

40  
41 Where activity data are collected directly by the company for the relevant processes (primary data) but the  
42 emissions factor used is derived from a secondary, external source (e.g., LCA database), then the emissions  
43 from this calculation would still be considered primary data. As required, there should be no instances where  
44 secondary data are used instead of primary activity data for the processes a company controls.

45  
46 When collecting primary data there is a preference for the way the data is collected and used to calculate  
47 GHG emissions:

- 48 1. Measured data, e.g., direct GHG emissions measurements for the process at the production site.
- 49 2. Calculated data, e.g., where activity data are collected at the production site and emissions factors  
50 are used to determine the GHG emissions.
- 51 3. Estimated data, e.g., where GHG emissions are available, but cover the whole production site and  
52 need to be disaggregated to a specific process/product

1 **Collecting Secondary Data**

2  
3 *Lifecycle databases*

4 Secondary data are typically sourced from existing lifecycle databases. Many such databases exist and they  
5 vary in their sector or geographic focus, their cost, frequency of update and review processes<sup>14</sup>. To identify  
6 the appropriate database(s) to use, additional information should be sourced about the database. This  
7 information should be obtained directly from the database supplier. Some questions to use in assisting with  
8 the selection of a database are listed in **Box 7-2**.

9  
10 **Box 7-2: Questions to Assist with Selecting a Lifecycle Database to Use**

- |   |
|---|
| <p>11</p> <ol style="list-style-type: none"> <li>1. Are the listed process-based LCA emissions data from a collection of actual processes or estimated/ calculated from other data sources?</li> <li>2. Are the sector-based LCA emissions data developed using Input-Output techniques or other methods?</li> <li>3. Were the LCA emissions data developed using a consistent methodology and were the data developed in compliance with ISO and other quality standards (add which ones we want to specify)? If yes, what standards were used?</li> <li>4. For agri-products, are direct and/or indirect land use impacts included in the LCA emissions data? If yes, what indirect impacts are included?</li> <li>5. How long has the database existed, how long has its developer been in business and how extensively has the database been used?</li> <li>6. How frequently is the database updated?</li> <li>7. Are the data sources consistent with the scope, geography, product use and product manufacturing characteristics (e.g., processes) for the GHG account being performed?</li> <li>8. How current are the data sources used for developing the LCA emissions data in the database?</li> <li>9. Can uncertainties be estimated for the data and are the meta-data available?</li> </ol> |
|---|

12  
13 *Emission Factors*

14 Emission factors may be derived from any of the secondary process data sources. An emission factor is the  
15 GHG emissions per unit of activity. There are two types of emissions factors commonly available. The first  
16 relates only to the activity causing the emissions (e.g., combustion of fuel) – activity emission factor. The other  
17 relates to the production of the inputs used in an activity as well as any emissions associated with the activity  
18 itself – lifecycle emission factor. Using a fuel example, the lifecycle emission factor would include not only the  
19 combustion of the fuel itself but emissions associated with the extraction, transport to refinery, manufacture of  
20 the fuel, and often the transport of this fuel from the refinery to the retailer.

21  
22 The activity emission factor is commonly used in corporate accounting and is the most likely emissions factor  
23 to be updated regularly; however, it should not be used in a product inventory unless the additional lifecycle  
24 emissions are included. There may also be variability in what is included in the lifecycle of the factor. For  
25 instance, a fuel lifecycle emission factor may include the refining of oil to produce fuel, transport of fuel to a  
26 wholesaler, and combustion of the fuel, but exclude emissions from the extraction of oil and transport of oil to  
27 the refinery. Where possible, the lifecycle emissions factors used should be consistent with the system  
28 boundary defined by this standard. It is good practice to document the system boundary of any emissions  
29 factors used. There may be some instances when an emissions factor may correspond to the lifecycle  
30 analysis of a specific input within the system boundary.

31  
<sup>14</sup> A list of available databases will be included in the Standard Appendix (to be developed)

**Box 7-2: Tips for Using Emission Factors**

- Process-specific emissions factors (either from direct measurement or from other studies) are preferable to more generic emissions factors; and should be as high a quality as possible. Some sources include national factors published by a government authority, industry factors published by industry associations, and lifecycle databases.
- Lifecycle emissions factors should be used. If they are not, this should be documented.
- Where possible, use emissions factors that correspond to
  - o The year(s) covered in the product inventory. This especially important for electricity emissions factors which vary over time.
  - o The country(ies) where the product and its inputs are being extracted, produced and consumed.
  - o The technologies used to produce the product and its inputs.
- Document the source of all emissions factors and what is included in their system boundary.

**Input-Output Data**

Input-output (IO) data is another form of secondary data. This data is typically based on national IO tables which are frequently updated 5-yearly. They are based on industry data and depending on the country, product or sector categories are more or less disaggregated. For example, the US, Japan and Korea have over 400 products or sectors in their IO table, while most European countries have 60-120 categories. Most IO data are in monetary units that likely need to be converted to physical units using price information before being used in product inventories. Some IO tables are being developed that do contain physical information and/or GHG information<sup>15</sup>.

**Box 8-3: Using input-output data**

- IO data is used in a similar manner to process data – applying GHG emissions per unit of input to data derived from an IO table. The steps for using IO data are:
1. Obtain GHG emission factors derived from environmentally extended input-output analysis. These factors represent the total upstream production GHG emissions per monetary unit of a product, product category or sector. Such factors can be obtained from publicly available data sources or proprietary LCI databases. For example, the Guideline to Defra/DECC’s GHG Conversion Factors for Company Reporting has a section on supply chain conversion factors based on IO analyses (<http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>).
  2. Identify the product, product category or sector relevant to the data gap. The products found within a category may be more or less homogenous depending on the level of aggregation. For instance, an IO table may distinguish between copper, aluminum and precious metals or cover all or some of these categories under a larger generic classification of “non-ferrous metals, not elsewhere classified.”
  3. Determine the monetary value of the inputs where a data gaps exists. In some cases, this value will have to be converted from actual (purchasers’) prices to basic prices by subtracting taxes and distributors’ trading margins. For example, ceramic pots are one of the inputs in the system boundary, and no suitable process data can be located. The company knows they purchased £1000 of ceramic pots during the production process.
  4. Multiply the monetary value of the input by the IO-based emission factors (from 1 above) for each GHG to obtain the total emissions associated with all upstream production processes. Using the ceramic pot example, the IO-based emissions factor for ‘ceramic goods’ is 1.309 kg CO<sub>2</sub>e/£.
  5. Include this information into overall GHG product inventory.

**Use and Management of Confidential and Proprietary Data**

<sup>15</sup> A list of IO data sources will be included as in the Standard Appendix (to be developed)



1 There are any number of situations when collecting and using data in a product inventory where the data are  
2 considered confidential and/or proprietary to the provider of these data. Such information may take several  
3 forms, from direct emission measurement data to indirect data sources from which emission data may be  
4 calculated or deduced.

5  
6 Some organizations may provide data needed to perform GHG calculations without any use restrictions. Other  
7 organizations require that the data provided be protected from disclosure and use for any purpose other than  
8 that which is specified by the data provider. Frequently, use and disclosure of data considered to be  
9 confidential and proprietary is governed by some form of “confidentiality” or “non-disclosure” agreement. If so,  
10 specific terms of data use and disclosure are defined within the agreement. Violating breach of use and  
11 disclosure provisions in legally binding documents may have serious legal consequences, particularly if harm  
12 to the data source provider may be demonstrated as a result of unauthorized disclosure.

13  
14 Whenever data that represent a specific organization are to be used for a product inventory, it is generally  
15 good practice to check with the data provider to determine if there are any restrictions regarding data use and  
16 disclosure, regardless of how the data were obtained. It is also good practice to inform the data provider  
17 concerning how the data are to be used and ask for written permission to use them for that purpose. Any  
18 restrictions on use of data or further disclosure need to be respected.

### 20 8.2.3 Addressing Data Gaps

21  
22 In most instances where data are missing, it should be possible to obtain sufficient information to provide a  
23 reasonable estimate of the missing data. Therefore, there should be few, if any, data gaps. Again, the highest  
24 quality data should be used given resource constraints.

#### 26 Identifying data gaps

27 Data gaps exist when there is no primary or secondary data that is specifically relevant to the product  
28 inventory being undertaken. For example,

- 29 - Emissions factors or activity data may not exist for a specific input/product
- 30 - Emissions factors or activity data may exist for a specific input/product but has been generated in a  
31 different region
- 32 - Emissions factors or activity data may exist for a specific input/product but has been generated using  
33 a different technology

#### 35 Filling data gaps

36 Data gaps should be filled using:

- 37 - Extrapolated data, e.g., GHG emissions from the same or similar products that have been customized  
38 to a new situation, e.g., region.
- 39 - Proxy data, e.g., GHG emissions from the same product but from a different locality or produced  
40 using different technology or GHG emissions of a similar product. This data is not modified in anyway.

#### 42 Using proxy data

43 Proxy data could come in the form of any data type but relates to a ‘similar’ input or process. Where data gaps  
44 exist, data relating to ‘similar’ products/ingredients may be used as ‘proxy’ or ‘surrogate’ data to fill these  
45 gaps. This approach has been used extensively to deal with lack of primary data in lifecycle analysis. The  
46 choice of proxy data is usually based on the knowledge and past experience of the person undertaking the  
47 product inventory, without having the possibility to validate such choices. There are two ways to generate  
48 proxy data:

- 49 - Data transfer which is the application of data obtained in one situation to a different but similar  
50 situation. The key issue is how to define “similar,” e.g., use of GHG emissions data from apple  
51 production for pears (see examples below).
- 52 - Data generalization which is generalizing specific product datasets to more generic product types,  
53 e.g., generalizing apples and oranges data to fruit.

54 The accuracy or representativeness of data in data generalization is possibly lower than data transfer.  
55 However, transferring data may also suggest a false level of certainty as data generalization results may be  
56 more robust where proper consideration of embedded variability in the data is made.

1  
2 **Identifying similar inputs/products**

3 There are many things to consider when identifying similar inputs/products, including type of input/product,  
4 where the input/product is produced, type of technology(ies) used, and an distinguishing characteristic(s) of  
5 an input/product. The following examples for food and chemicals list some variables to consider when  
6 deciding if an input/product may be considered 'similar' to the one for which data are missing:  
7

8 i) Food/bio-based materials

- 9 • Country of production (indicative of fuel mix/technology type/infrastructure/climatic conditions etc)
- 10 • Yield
- 11 • Technology type (extraction, processing, transportation, etc.)
- 12 • Taxonomy/biological properties/harvested crop or animal parts for bio-based materials – e.g. top fruit,  
13 soft fruit, legumes (nitrogen fixers), red meat, poultry, eggs, dairy etc.

14  
15 ii) Chemicals

- 16 • Chemical Structure – data from a material which are structurally similar
- 17 • Technology/process type – materials which are produced by similar chemical reactions (e.g.,  
18 sulphonation of surfactants, mining and purification of minerals or distillation) or number of stages in a  
19 reaction process or synthesis
- 20 • Starting materials or feedstock – e.g., petrochemical, mined materials, clays, oleochemicals
- 21 • Scale of production – high volume materials tend to be more efficiently produced than small scale  
22 manufacture

23  
24 **Extrapolation**

25 Extrapolation refers to the adaptation or customization of an existing dataset to the conditions of the product  
26 inventory being undertaken. Data could come in the form of any data types and extrapolation may occur in  
27 many dimensions around the product, technology or geography. Extrapolating data requires knowledge of  
28 both the existing situation and those for the current product inventory such as detailed lifecycle information on  
29 the existing data and the general characteristics of the product being assessed. It is likely that extrapolation is  
30 likely to yield more accurate results than the use of proxy data.

31 Extrapolation may vary in the degree of customisation applied. For example, adaptation of an existing dataset  
32 may be limited to changing the electricity mix to match the country in which the input/product is being  
33 manufactured. Alternatively more extensive adaptation may be applied where the key emissions attributes of  
34 the product impact are identified (e.g. for a laptop, these may include weight, area of printed circuit board,  
35 screen size, hard drive size, etc). An algorithm may subsequently be developed to apportion impacts related  
36 to those attributes. Identifying the key emissions attributes and the subsequent algorithm developed should be  
37 based on other relevant product inventories or LCA studies for similar products or stakeholder input where  
38 inventories or LCAs don't exist.

39 Where data gaps have been filled, e.g., using one of the above options, it is worth noting the procedure(s)  
40 taken to fill the data gap. This should enable others (either for the current product inventory or for future  
41 product accounts) to understand the steps taken to identify other avenues to find the new sources of data.

42 To assist with the data quality assessment, any assumptions made to obtain missing data along with the  
43 anticipated effect on the final product GHG emissions should be documented. For example, if an emissions  
44 factor based on a different technology was used, is this expected to over- or under- estimate GHG emissions.  
45 If such effects cannot be anticipated then this should be stated, e.g., the likely effect of the GHG emissions  
46 estimate is unknown.

47 **8.2.4 Data for the Use and End-of-Life Stages**

48 The use and end-of-life stages for a product are where there is likely to be greatest uncertainty in a product  
49 inventory, primarily because of the potentially large variation in how a product is used and disposed of. For  
50 some products, the use and end-of-life stages may comprise a significant portion of the product's total GHG  
51 emissions, and decisions around the use and end-of-life stages may have a significant impact on a product  
52 inventory. Therefore, when defining service life information, it should be verifiable and should refer to the  
53 intended use conditions of the product and be related to its functional performance.

54 *(Examples to be added if needed)*

55  
56 It is also good practice to undertake sensitivity analyses to assess the influence of use and end-of-life profile  
57 assumptions on the product's GHG emissions. Any deviations to use and end-of-life profiles taken from

1 sector-specific guidance and published guidelines should also be assessed using sensitivity analysis,  
 2 especially where the use and end-of-life stages comprises a significant portion of the product inventory. **Box**  
 3 **8-4** outlines an example of a sensitivity analysis, including how the emissions from the use and end-of-life  
 4 stages may vary depending on the assumptions made.  
 5  
 6  
 7

**Box 8-4: Sensitivity analysis for the use and end-of-life stage for a bottle of wine**

The total GHG emissions for the bottle of Sauvignon Blanc in this example were 1243 g CO<sub>2</sub>e/750 ml glass bottle.

**General Assumptions:**

Distance from home to retailer = 5.5 km  
 Wt of goods purchased at retailer = 11kg  
 Mode of transport = petrol passenger car  
 Total refrigeration = 48 hours  
 Wt of 750ml bottle of wine = 1.2862 kg

**Sensitivity Analysis**

**Scenario 1:** Consumer drives to retailer and refrigerate wine for 48 hours before consumption, bottle is recycled, screw cap goes to domestic waste

Assumptions	GHG Emissions (g CO <sub>2</sub> e/750 ml glass bottle)
Transport from home to retailer and back (km)	307.40
Refrigeration (48 hours)	1.77
Recycling glass bottle	-282.00
Domestic waste to landfill (screw cap)	0.10
<b>Total</b>	<b>27.27</b>

**Scenario 2:** Consumer drives to retailer and refrigerate wine for 48 hours before consumption, both bottle and screw cap are recycled

Assumptions	GHG Emissions (g CO <sub>2</sub> e/750 ml glass bottle)
Transport from home to retailer and back (km)	307.40
Refrigeration (48 hours)	1.77
Recycling glass bottle	-282.00
Recycling screw cap	-47.70
<b>Total</b>	<b>-20.53</b>

**Scenario 3:** Consumer drives to retailer and consume wine without refrigeration, bottle is recycled, screw cap goes to domestic waste

Assumptions	GHG Emissions (g CO <sub>2</sub> e/750 ml glass bottle)
Transport from home to retailer and back (km)	307.40
Recycling glass bottle	-282.00
Domestic waste to landfill (screw cap)	0.10
<b>Total</b>	<b>25.50</b>

**Scenario 4:** Consumer walk/cycle to retailer and refrigerate wine for 48 hours before consumption, bottle is recycled, screw cap goes to domestic waste

Assumptions	GHG Emissions (g CO <sub>2</sub> e/750 ml glass bottle)
Refrigeration (48 hours)	1.77
Recycling glass bottle	-282.00
Domestic waste to landfill (screw cap)	0.10
<b>Total</b>	<b>-280.13</b>

**End-of-life issues – methane releases from landfills**

How products are disposed of may substantially impact their product inventory, e.g., what happens to a product in municipal solid waste streams. The typical end-of-life scenarios include disposal to landfills, incineration with energy recovery, and incineration without energy recovery. When products decompose in landfills under anaerobic conditions they produce methane, giving rise to even greater GHG emissions. There are some published studies about the fate of some products in landfills, particularly paper products, but often assumptions are made. There are also some published data on the energy value and emissions from combustion of different types of materials, inefficiencies of converting heat to electricity, etc. in landfills. This information may be used to either derive or inform the end-of-life profile.

Because of the uncertainty of the end-of-life GHG emissions, it is especially important to transparently document all relevant assumptions. The type of information that should be provided for typical end-of-life scenarios are:

- Landfill
  - o Amount of product sent to landfill
  - o Portion of product that decomposes to methane and portion that decomposes to biomass or fossil carbon dioxide
  - o Amount of carbon in product that is sequestered in the landfill
  - o Amount of methane and fossil or biomass carbon dioxide emitted from decomposition of the specified quantity of product in a landfill
  - o Sources for the above estimates
- Waste-to-Energy Incineration
  - o Amount of product sent to WTE incineration
  - o Heat of combustion for the product
  - o Amount of fossil fuel replaced by the energy from the incineration of the product
  - o Net effect on GHG emissions for the specified quantity of product sent to WTE incineration
  - o Sources for the above estimates
- Incineration without energy recovery
  - o Amount of product incinerated without energy recovery
  - o Amount of fossil or biomass carbon dioxide emitted from incineration of the specified quantity of product
  - o Sources for the above estimates

### 7.2.3. Accounting for Losses (to be completed)

## 8.2.5 Complex and Complicated Products

*Complicated products* are products with many (probably thousands) of physical or service components and processes as part of their lifecycle. They are also likely to have product systems that are highly complicated, in that it is difficult to gain a detailed understanding of the full product system. For example, it is difficult to comprehensively map a product lifecycle for a product or service with thousands of components, multiple suppliers and supply chains that has multiple stages and/or a product system with many (variably sourced) commodity components. Some examples of highly complicated products include some kinds of IT-based goods (e.g. computer equipment) and automotive products.

*Complex products* are those where there are many inter-related (often non-linearly related) factors in the product system that may, individually or collectively, have significant impacts on the properties of the system as a whole. That complexity means that such systems are problematic to model or simulate effectively or meaningfully. It is likely to be the case that *highly* complicated products are also complex, i.e. their product systems as a whole are large with many inter-dependant processes and are problematic to model effectively. An example of a non-linear relationship might be a service which contains a delivery component – the required delivery time may be variable with options available to the customer, a relatively small change in required delivery time may require a transition from ground to air freight with a potentially large change in GHG emissions. Some examples of complex products include many types of services, such as those where

1 demand for a service is highly variable, where customers or service provision is widely geographically  
2 distributed, or where a service contains customized elements  
3

4 The complicated and/or complex natures of such systems may originate from a number of underlying causes,  
5 beyond just having a large number of components, for example:

- 6 - supply chains may be wide (many suppliers of sub-components)
- 7 - supply chains may be deep (each sub-component may itself be complex)
- 8 - supply chains and some life cycle stages may be highly variable (e.g. in cases where commodity  
9 components are a significant part of a product system, in the use stage of some kinds of products and  
10 where products have fast innovation cycles)
- 11 - products may be customized or bespoke (in the case of services they may be dynamically configured,  
12 the particular configuration used depending on multiple variables)
- 13 - product systems may be widely geographically distributed (especially likely in the case of some kinds  
14 of services)

15  
16 It may also be the case that no single company or organization is directly responsible for a large proportion of  
17 life cycle emissions or removals of such products (because of the breadth and depth of the supply chain). This  
18 further complicates the task of ensuring that the processes in the product's system boundary and data are  
19 accurate or complete. Because of the number of life cycle components and processes within a complicated  
20 product system it is possible that no particular component or process contributes more than a small fraction of  
21 overall GHG emissions.  
22

23 Until product inventories are more universally implemented (so that the components parts themselves also  
24 have their own product inventories), complex and complicated products are likely to require special  
25 consideration and it is likely that a number of general requirements of this standard may be especially  
26 challenging to meet for these types of products. Depending on the specific context of a particular complicated  
27 and/or complex product it is likely that simplified approaches may need to be taken to overcome these and  
28 other issues in order to make an assessment practical.  
29  
30

**Box 7-3: Undertaking a product inventory for complex and/or complicated products**

The following approach is recommended for undertaking a product inventory for complex and/or complicated products:

1. If relevant and approved *sector specific guidance* exists for a particular product then that guidance should be followed.
2. If relevant and approved *sector specific guidance* is *not* followed for any reason, (e.g. because a particular product has features that are not covered in the generic sector specific guidance), then the reasons should be stated, justified and documented. If this approach is used then it may not conform to the public reporting requirements of this standard. However, there are many other uses such as product procurement where this information would still be useful.
3. State on what basis the product is particularly complicated or complex as defined above.
4. State any decisions and assumptions taken to simplify the process of modeling and collecting data for complex and complicated products and list any known limitations of the study.

31  
32  
33 In the longer term it is preferable for industry sector organizations and stakeholders to work collaboratively to  
34 develop appropriate sector specific guidance for complex and complicated products. This could specifically  
35 address many of the issues for specific product groups. The development of such guidance, however, may  
36 take time and, in the interim, guidelines are needed for those undertaking product inventories for complicated  
37 and/or complex products.  
38

39 In the case of a complicated and/or complex product where there is *no* appropriate approved *sector specific*  
40 *guidance* and where it may not be possible to meet all the requirements of this standard, simplifying  
41 assumptions, decisions and approaches may be taken. However, it should be clearly stated that the standard

1 requirements have not been met and therefore the reporting GHG inventory is not in compliance with the  
2 GHG Protocol Product Standard.

3  
4 **Box 7-4: Example of Simplifying Approach to Complex Modeling**

5 An example of one simplifying approach that may be generically used is hot spot based modeling and  
6 estimation. It may be possible to use existing product inventories or LCAs or to conduct internal studies to  
7 identify GHG relevant 'hot spots' in the life cycle of a representative sample of products, along with means of  
8 estimating overall emissions/removals. A hot spot assessment would enable the development of a generic  
9 product group process model and this could be used as the basis for undertaking a product inventory.  
10 If a hot spot assessment indicates that the majority of emissions/removals are located in a small number of  
11 components or processes, then more detailed assessments may be conducted on those key components or  
12 processes. More generic data from secondary data sources could then be used for the other processes in the  
13 system boundary. The validity of the approach could be tested by comparing the results against more detailed  
14 product inventories or LCA studies of similar or the same products.  
15 *(further development expected)*

## 8. Allocation

### 8.1. Introduction: What is an Allocation Problem?

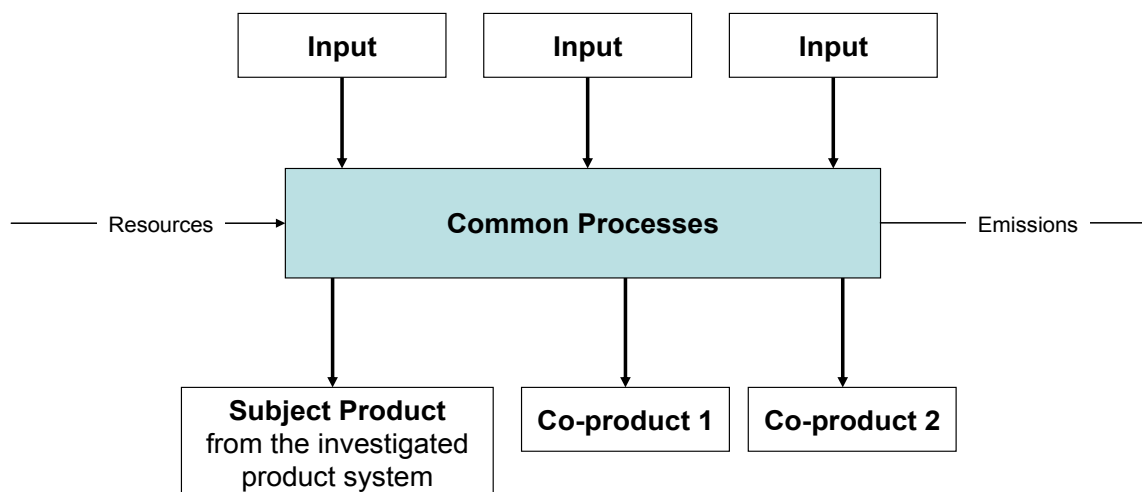
Once a company begins collecting data, they may find processes along the product's life cycle that have multiple valuable products as inputs and/or outputs. In these situations, the total emissions from the process need to be allocated between the product system under study and other product systems). Typically there are two types of products from these multifunctional processes: the **subject products** for which the GHG inventory is being prepared and the **co-products** that are used in other product systems. In these cases, the emissions from the common process shall be allocated to the subject products and co-products in a manner that accurately reflects each products contribution to the common processes emissions. Note that products and co-products shall have an economic value to apply allocation to the process; emissions should not be allocated to waste streams. There are three general cases when allocation problems are encountered:

- Multi-output processes
- Multi-input processes
- Recycling and reuse

A **multi-output process** occurs when a common process has multiple outputs of which only the subject product output is included in the studied product system (and the other outputs belong to other product systems). In such cases it typically would be not appropriate to charge the total emissions from this common process only to the product system under study since a portion of those emissions are attributable to the other product systems(s).

Inputs to the common process may be intermediate products, product components, or energy inputs. Outputs may be intermediate or final products or energy outputs (such as electricity or district heat). In Figure 8-1, the "subject product" is the product output of the common process which is used for the product system under study; "co-products" are the products outputs of the common process which are used by other product systems.

Figure 8-1: Multi-Output Allocation Problem



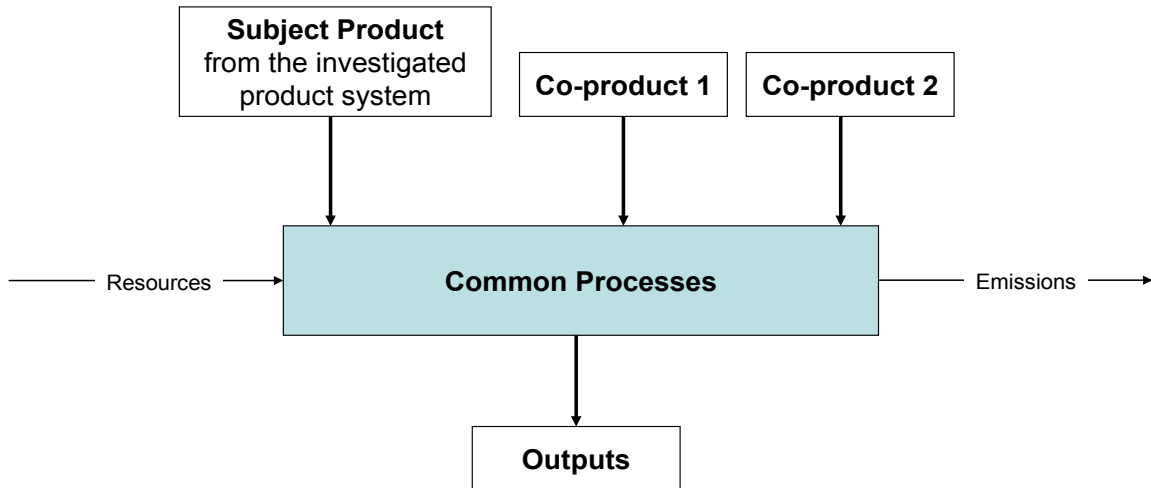
A **multi-input process** occurs when a number of different products (including the subject product) are treated in the same process. As with the multi-output process, only a part of the GHG inventory of the common process are attributable to the product system under study.

- 1 **Figure 8-2** gives an example of a multi-input process.
- 2
- 3



1  
2

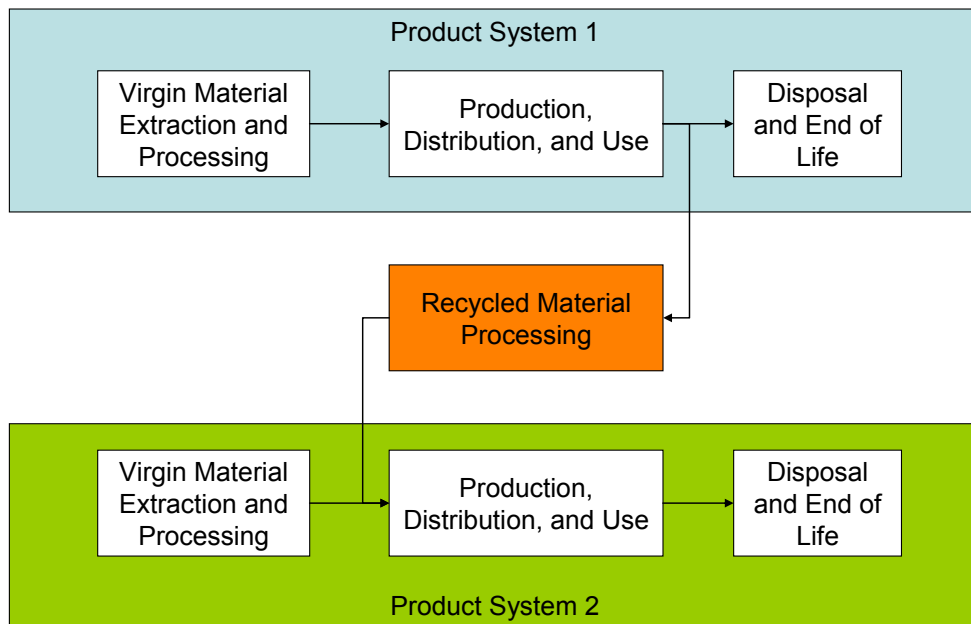
Figure 8-2: Multi-Input Allocation Problem



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11  
12

**Recycling and reuse** occurs when recycled or reused material enters the product system under study as a system input or leaves it as a product output. In this case, the recycled material does not have a raw material lifecycle stage and only a partial final disposal stage. The recycling loop is, in essence, a common process across several product systems, as shown in **Figure 8-3**.

Figure 8-3: Example Recycling Process



13  
14  
15  
16

Solving allocation problems is an important element of a product accounting system as it is a mechanism for accurately attributing emissions to various outputs including the subject product.

1 **Table** 8-1 lists all the procedures to solve allocation problems recommended for use in this standard.  
2  
3

Table 8-1: Procedures for Emission Accounting in Multi-Output/Input Product Systems

Method	Definition
Process Subdivision	Dividing the common process into sub-processes in order to eliminate the need for allocation.
System Expansion	Inclusion of the co-products (additional functions) in the functional unit
Physical Allocation Factors	Allocating the inputs and emissions of the system based on an underlying physical relationship between the quantity of product and co-product and the quantity of emissions generated. This is relevant if the production volume of the co-products can be varied independently
Substitution	Using the emissions from an alternative product that comprises the same functional unit as a co-product to estimate the emissions of the co-product with the remaining emissions being allocated to the subject product and remaining co-product(s).
Market Value	Allocating the inputs and emissions to the subject product and co-product(s) based on the market value of each product at the exit of the process.
Other Relationships	Dividing the process emissions among the outputs using a factor based on other scientific approaches than natural science (e.g. from social and economic sciences) or international conventions
Value Choice/Arbitrary	Use of allocation factors (e.g., mass, energy, volume, etc.) based on value choice or arbitrary factors

## 8.2. Requirements

### General principles for solving allocation problems

When faced with an allocation problem, a company shall consider the following general principles:

- When addressing common processes, users should avoid allocation, i. e. partitioning the input or output flows of a process or a product system between the product system under study and one or more other product systems.
- The allocation process shall adhere to the general accounting principles of completeness (all emissions accounted for), transparency (clear documentation of how emissions are calculated), accuracy (a true accounting of the product's GHG inventory, and consistency (a process that is applied similarly to multiple outputs).
- The allocation process has a preference for decisions based on natural science, followed by those based on other scientific approaches (e.g., social or economic science). Value choices are the least preferred basis for allocation decisions.

### Requirements for multi-output and multi-input allocation problems

If possible, an organization shall avoid allocation by using one of the following methods:

#### **Process subdivision**

Process subdivision is applicable for different products whose manufacturing processes are not intrinsically linked. For those cases, allocation may be avoided by increasing the level of details of the modeling. The common process is disaggregated into sub-processes which each produce one of the subject product and co-products. The process needs only to be sub-divided to the point that a distinct process is identified and emissions calculated for the subject product. There is not a need to subdivide the process to the point that every co-product has a unique and distinct process.

1 **Direct system expansion**

2 Another method to avoid allocation is to expand the product system under study in a way that includes both  
3 the subject product and the co-product(s) together as a functional unit.<sup>16</sup>  
4

5 **If allocation is necessary, the company shall use one of the following methods selected in accordance**  
6 **with the general principles for solving allocation problems.** A decision tree is provided in **Figure 8-1** to  
7 help users select the best allocation method for their process. In all cases, the method used to solve the  
8 allocation problem shall be justified and documented. The documentation shall include a brief explanation of  
9 why the specific method and factor (as applicable) was selected over others including why that factor offers  
10 the most accurate allocation of emissions.

11 **Allocating based on physical relationship**

12 Allocating based on physical relationships of the products may be used e.g. by applying energy content,  
13 energy, mass, content of chemical elements, etc. as allocation factors. When applying physical relationship  
14 allocation, all co-products need to be characterized by the same physical indicator. The physical indicator  
15 needs to describe the usefulness of the product in a meaningful way, e.g. energy or energy content in case of  
16 energy processes that produce heat and electricity, chemical composition in case of chemical reactions,  
17 protein content in case of use as feed and food, etc. Selection of the factor needs to be based on science and  
18 verifiable.

19 **Substitution allocation approach**

20 The substitution approach estimated the emissions contribution of the co-products to the common process by  
21 using the emissions of a similar product or the same product produced through a different method. The  
22 product substitution method is most applicable if a single alternative product is identified as the substitute to  
23 avoid arbitrary choices between potential substitutes. For the substitution method to be valid, users should be  
24 able to demonstrate and document that the selected substitute is a reasonable replacement for the co-product  
25 and accurately approximates the emissions attributable to the co-product.

26 **Value based allocation**

27 Value based allocation is the division of emissions from the common process to the subject product and co-  
28 product(s) according to the economic values of the products when leaving the multi-output process Market  
29 prices or prices at a later point of the life cycle should only be used if direct prices are not available or cannot  
30 be evaluated. Known downstream costs should be subtracted as far as possible. The direct price of the  
31 product is the price of the product directly after leaving the process. The market price is the value of the  
32 product in a commercial market.

33 **Allocation methods based on value choices or arbitrary assumptions**

34 Allocation methods based on factors (e.g., mass, energy, volume) selected using value choices or arbitrary  
35 assumptions represents the position of one person, e. g. the practitioner of the study. However, such an  
36 approach is sometimes necessary in cases where all other allocation methods cannot be applied due to a lack  
37 of required data. When value or arbitrary choices are used, the influence of the choice of the allocation factor  
38 on the outcome of the study needs to be determined in a sensitivity study.

39 **Requirements for allocation of recycling process emissions**

40 Recycling, although different from a multi-output or multi-input process, is accounted for in product GHG  
41 inventories using similar procedures to the ones defined above for allocation. A company shall consider the  
42 general principles for allocation when assessing recycling in a GHG inventory. There are three general  
43 recycling applications:

- 44 - *Closed loop recycling:* Closed loop recycling occurs when specific material is recycled and used again  
45 within the same product system.

---

<sup>16</sup> There are two primary methods for applying system expansion. The first, direct system expansion, involves expanding the product system through a redefinition of the functional unit so that the functional unit includes all of the shared process outputs. The second, avoided burden, involves expanding the product system and then estimating the emissions contribution of one or more co-products(s) by equating those emissions to the emissions of the alternative product the co-product replaces in the market. Because this standard is based on an attributional approach, only direct system expansion can be used to solve allocation problems. System expansion shall be done in accordance with the functional unit requirements defined in the Chapter 5.

- 1 - *De-facto closed loop recycling*: De-facto closed loop recycling occurs when the recycled material at  
2 the end-of-life is functionally equivalent to a material input of the product (i.e. the same inherent  
3 properties)  
4 - *Open loop recycling*: Open loop recycling occurs when the material recycled at the end-of-life has  
5 inherent properties which are different from those of the virgin material it is derived from or when the  
6 recycled material is used in other product systems and cannot be modeled as a closed loop system.  
7 Data used to determine recycling rates shall be justifiable and reported.  
8

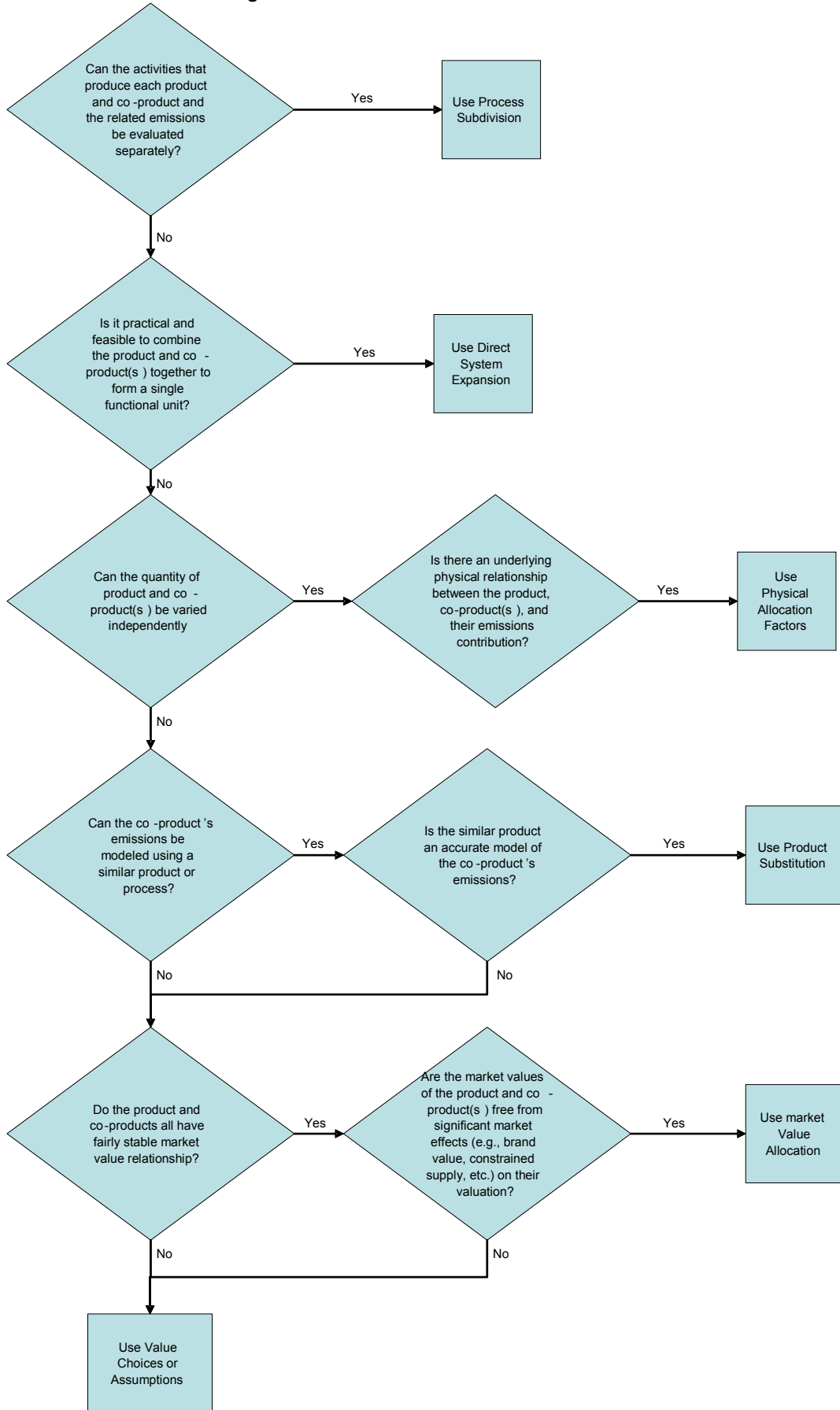
## 9 **8.3. Guidance**

### 10 **8.3.1. Selecting an Allocation Approach**

11 This standard identifies six valid methods for allocating emissions from a common process. Each of these  
12 methods is a valid approach; however, each is suited to different scenarios. **Figure 8-4** presents a decision  
13 process for selecting the best allocation method for a given situation.  
14  
15

1

Figure 8-4: Allocation Method Decision Tree



2  
3

1 The decision process in **Figure 8-4** is based on the order of preference for the allocation methods, from those  
 2 that tend to produce the most accurate results to those that are less accurate. This preference is combined  
 3 with the data requirements and applicable conditions for each method to determine if it should be used. By  
 4 following this decision process, users select the most applicable method for their specific allocation problem.  
 5 In any case, the allocation method selected should be documented as required by the standard.  
 6 Users should consider practicality (i.e., the effort involved in calculating emissions using the allocations  
 7 method, availability of data, etc.) in selecting an allocation method. In general, the effort involved in calculating  
 8 the allocation of emissions should be somewhat proportional to the process's overall contribution to the total  
 9 inventory.

### 10 8.3.2. Examples of Allocation Methods

#### 11 **Process Subdivision**

12 A petroleum refinery produces many outputs, including but not limited to gasoline, diesel, heavy oil petrol coke  
 13 and bitumen. If the GHG inventory of diesel is needed for a GHG inventory study, then only a part of the GHG  
 14 inventory of the refinery process has to be taken into account. Therefore, the refinery process should be  
 15 subdivided as much as possible to considered processes that include only diesel fuel. However, it is not  
 16 possible to solve the allocation problem at a refinery by only process subdivision; after considering process  
 17 subdivision and simplifying the allocation problem as much as possible, a company should allocate using one  
 18 of the recommended allocation procedures.

#### 19 **System Expansion**

20 The filling and sealing operation of a beverage container is a common process, both for the container and the  
 21 beverage. In this case, allocation may be avoided if the product system "beverage container" is expanded to  
 22 include the beverage, as well. Before the system expansion, the product system "beverage container" may  
 23 have included the product systems of the components "glass bottle", "lid" and "label"; after the system  
 24 expansion it includes the product system "beverage" as fourth component. It is evident that the systems  
 25 expansion, in addition, adds new functions with the new component.

26  
 27 Another example is where the initial product system is a metal conductor in a cable, and the cable production  
 28 process and some of the end-of-life operations have to be shared with the other components of the cable. In  
 29 this case, it may be decided to include the other components of the cable into the product system and to  
 30 determine the GHG inventory of the whole product. Again, the additional functions of the new product system  
 31 have to be considered.

#### 32 **Underlying Physical Relationships**

33 If a truck transports the subject product P1 and a co-product P2 for a given distance D, then the diesel  
 34 consumption M of the truck has to be shared between P1 and P2. The solution of the allocation problem  
 35 depends if the payload of the truck transporting these two products is limited by mass or by volume. If the  
 36 payload is limited by mass and the relation between P1 and P2 is 25 and 75 percent respectively, then four  
 37 times more mass of subject product could be carried with the same diesel consumption if the co-product  
 38 would not exist. It is evident that in this case the diesel consumption is shared by the mass relation of the  
 39 products: the subject product carries only 25 % of diesel consumption M.

40  
 41 If, on the other hand, the payload of the truck is limited by volume and the subject product needs 50 % of the  
 42 space of the truck, then, without the co-product, only two times more of the subject product may be  
 43 transported by given quantity of diesel. In this case, the diesel consumption is shared by the volume relation  
 44 of the products: the subject product carries now 50 % of diesel consumption M.

45  
 46 The example shows that it needs a justification, which physical size has to be used for allocation. The  
 47 decision to use allocation by mass in any case without further justification would have received the lowest  
 48 priority, according to the principle of the priority of the scientific approach.

#### 49 **Substitution**

50 At a pulp mill, waste wood and lignin products are combusted for internal power generation. In some cases  
 51 that waste is gasified and excess power is created as a co-product and sold to the grid. To allocation for the  
 52 electricity co product, the substitution method should be used to identify the emissions associated with  
 53 electricity (based on average grid values at the mill location). Therefore, if the mill created 1000 kg of GHG  
 54 emissions and 5 MW of electricity, and the grid data shows that 5 MW of average electricity on the grid is  
 55 equivalent to 50 kg of GHG emissions, that the mill emissions allocated to the pulp product would be 950 kg.

1 It is important to note that the substitution method is only applicable when a) the co-product has one distinct  
2 used and b) good quality data is available to use as a substitution factor. Otherwise, the company should  
3 default to value-based or arbitrary assumptions.

4 **Value-based**  
5 *(to be developed)*

6  
7 **Arbitrary Assumption**

8 When copper is extracted and refined, trace amounts of other valuable metals are often also extracted and  
9 therefore considered valuable co-products. If copper is the subject product, and process subdivision has been  
10 used to simplify the allocation, then a company would look to underlying physical relationship to calculate the  
11 allocated emissions. However, it is not clear if the mass or the value of the products is the true underlying  
12 relationship (i.e., depending on the use of the copper, either the valuable product needs to be removed to  
13 obtain pure copper, or the valuable product is removed because of its value). Therefore the company should  
14 chose an allocation procedure based on their own assumptions. In the case of arbitrary assumption, a  
15 company is encouraged to before a sensitivity analysis on all possible allocation methods to determine how  
16 the assumption may impact the final inventory results.  
17

18 **8.3.3. Recycling**

19  
20 When a product's life cycle includes recycling, additional consideration may be necessary to insure that the  
21 inventory is as accurate as possible. Accuracy here includes consideration that 1) all applicable GHG  
22 emissions are accounted for, and 2) no GHG emissions are leaked or double counted into a subsequent  
23 product inventory as a result of recycling. A company shall only include recycling within a GHG inventory  
24 using factual and science-based knowledge. For example, if a company purchases and inputs 30% recycled  
25 material to create the subject product, the company should accurately assess the GHG inventory of the  
26 recycled material. It would be incorrect to assume that the material had either the same inventory as virgin  
27 material or no GHG impact because it was recycled. Additionally, a company should not simply assume that  
28 their product is recycled and therefore end-of-life impacts are zero; recycling, just like any other material  
29 processing, uses energy and therefore creates emissions.

30 **Closed-loop recycling**

31  
32 A closed loop recycling system is one where a material A is recycled and reused as material A during the  
33 production of subject product B. Closed-loop systems are most common within a single process or facility, and  
34 therefore the net consumption of material A (at steady state) is dependent on the rate of recycling. A company  
35 should include any additional processing steps needed to recycling material A in the GHG inventory (e.g.,  
36 cleaning, separating, etc.).  
37

38 **De-facto Closed Loop Recycling**

39  
40 Accounting for recycling in a GHG inventory becomes more challenging when you move away from closed  
41 loop systems and into open loop systems. The variety of recycling rates, recycled material properties, and  
42 recycled material uses makes it difficult to assign a single allocation procedure to address all recycling  
43 problems accurately.  
44

45 For a de-facto closed loop system, the recycled material has the same inherent properties as a material input  
46 into the product. For example, a product may require 100 kg of primary material, e. g. in form of granules or  
47 ingots. Then the GHG inventory of the acquisition of 100 kg raw material is charged to the product under  
48 study. However, after the end-of-life operations, 90 kg of recycled material with the same inherent properties  
49 as primary material are obtained and 10 kg of material are lost. By approximating this as a closed loop  
50 system, 90 kg of the input material is recycled; therefore, the GHG inventory for the product includes the  
51 production of 10 kg of virgin material and the emissions associated with recycling 90 kg of material. The  
52 following should be true for a company to use the de-facto closed loop approach:

- 53 - The recycled material has the same inherent properties as in the original material input
- 54 - The rate of recycling assumed

55 A company may not use the de-facto closed loop approach when the recycled material does not have the  
56 same inherent properties as the material inputs. For example, if a high-grade metal is the input and a low-  
57 grade metal is the output, then that recycling is considered open loop.

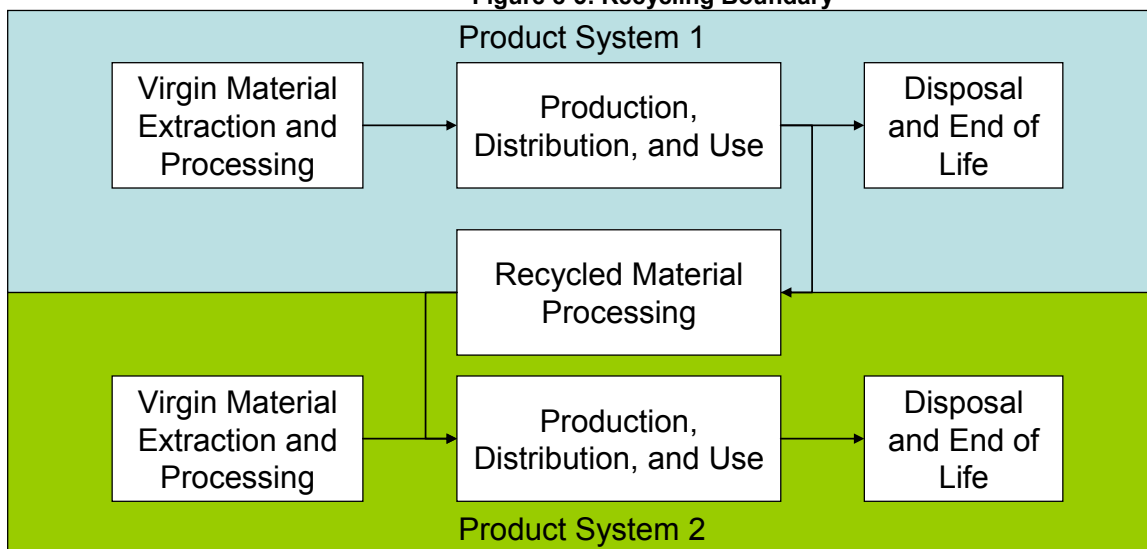


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**Open-loop recycling**

Most recycling situations are open-loop recycling. Open loop recycling occurs when the material recycled at the end of life has inherent properties which are different from those of the virgin material it is derived from or when the recycled material is used in other product. The allocation between the first product and the second (or subsequent) product should be performed such that all GHG emissions are accounted for (i.e. the end-of-life of one is the material extraction of the other). The recycled material processing activities are shared between the two product systems according to the ratio of value between the collected material and the re-processed material. Therefore, if the collected material has no value, then the second product system accounts for the recycling process. If there is equal value, then the emissions from the recycling process are equally shared between the two product systems. A company is required to report the value used to determine the allocation factor, along with the recycling rates assumed.

**Figure 8-5: Recycling Boundary**



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In all recycling cases, if the portion of recycled and virgin material used in the product is known, then that ratio should be used to directly calculate the emissions from the virgin material extraction and processing and the portion of the recycling process attributable to the product. Likewise, if the portion of end of life product that is recycled, then that figure should be used as the basis for emissions calculation.

**8.3.4. Other Recycling Issues**

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If a material is only recyclable a finite number of times, the company should consider the number of subsequent uses when allocating the emissions of the product<sup>17</sup>. The number of subsequent uses of the recycled material should be used for the allocation if this number is determined and justified. If the number of subsequent uses is five, then the common processes are shared equally between the five cycles and only 20 % of the GHG inventory of the common process need to be charged to the product under study. In certain cases it is not easy to explain the selected number of cycles without estimates and arbitrary assumptions.

**Reuse of products**

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Reuse of an item occurs when an item that leaves a product system during the end of life stage is then incorporated into a new product. Note that routine maintenance of a product or its components is considered part of the use stage for that product and is not reuse. It is only when those items are incorporated into a new product that this is considered reuse.

<sup>17</sup> The reader is referred to ISO 14049 and PAS 2050 for more information on calculating the number of subsequent uses.

1 The cycle of a reused item follows that of recycled material in an open loop system. At the processing center a  
2 reused item is refurbished (compared to reprocessing of recycled material) and then introduced to the new  
3 product system. Since reused items follow the same pattern as recycled items, the emissions associated with  
4 them are managed in the same way. Therefore reused items should follow the same procedures outlined for  
5 open-loop recycling.

6 **8.3.5. Examples of Recycling Allocation Methods (to be completed)**

7

8

## 9. Assessing Data Quality and Uncertainty

### 9.1. Requirements

The percent of total GHG emissions derived using different quantification methods shall be clearly stated and reported. The quantification methods to use are:

- derived from directly measured process-specific GHG emissions
- estimated from aggregated directly measured site information
- calculated using site and process specific activity data and an emissions factor derived from secondary process data
- calculated using site and process specific activity data and an emissions factor derived from input-output data
- estimated using only secondary data sources (either process or input-output data)

A data quality assessment shall be undertaken for all GHG emissions sources that cumulatively sum to 75% of total product emissions, beginning with the largest emissions source.

For all processes quantified using *any* primary data, a qualitative data quality assessment shall be undertaken based on technological, temporal and geographical representativeness, completeness, and precision. For processes that only used secondary data, the data quality assessment shall be undertaken based on technological, temporal and geographical representativeness.

A statement regarding the overall methodology appropriateness and consistency of the inventory shall be made (*to be further developed*).

### 9.2. Guidance

Data quality refers to the characteristics of data for satisfying stated requirements. Generally data quality characteristics address how well the data corresponds to the time, geography and technology represented in the product inventory, the precision of any direct measurements, the completeness of processes represented in the inventory and the consistency of data across processes in the inventory.

#### 9.2.1. Why undertake a data quality assessment

Data quality assessments are undertaken for a number of reasons including,

- Improving data quality. A data quality assessment may be used internally by an organization to identify areas within the product inventory that could be improved either for the current inventory or for future inventories.
- Assisting any assurance process. A verifier may request various pieces of information surrounding the quality of the data used in the product inventory.
- Demonstrate to an external audience the quality of the data used in the product inventory. Customers or consumers may request information pertaining to the quality of the data used in the product inventory, e.g., to inform procurement choices.

#### 9.2.2. Assessing Data quality

There is no one definitive process for assessing data quality. However, in most instances data quality indicators are used as the basis of any assessment. This section outlines some procedures that could be used to assess data quality. Regardless, of the data quality assessment procedure used, the procedure should be documented for future reference.

#### Data Quality Indicators

1 The common data quality indicators used to describe individual process data in the system boundary are  
 2 outlined in **Table 9-1**. All data quality indicators should be used to describe primary data, while technological,  
 3 temporal and geographic representativeness are the most relevant for secondary data.

4  
 5 **Table 9-1: Data Quality Indicators**

Indicator	Explanation
<b>Technological representativeness</b>	Degree to which the data set reflects the actual technology(ies) used in the processes within system boundary, including any background data sets used.
<b>Temporal representativeness</b>	Degree to which the data set reflects the actual time (e.g., year) or age of the processes within the system boundary, including any background data sets used or whether an appropriate time period is used (e.g., for food products annual/seasonal averages or average of several seasons may be appropriate to smooth out data variability due to factors such as weather conditions).
<b>Geographical representativeness</b>	Degree to which the data set reflects actual geographic location of the processes within the system boundary such as, e.g., country or site, including any background data sets used.
<b>Completeness</b>	The degree to which the data represents the relevant process. The percentage of locations for which site specific or generic process data are available and used out of the total number that relate to a specific product or process. Generally, a percent target is identified for the number of sites from which data is collected for each process.
<b>Precision</b>	Measure of the variability of the data points used to derive the GHG emissions from a process (e.g., low variance = high precision). Relates mostly to where direct measurements have been used.

6  
 7  
 8 **Methodological appropriateness and consistency**

9 Methodological appropriateness and consistency are important for the quality and robustness of the final GHG  
 10 emissions value for a product inventory. It is especially important where product comparisons are being made.

11  
 12 Any assessment of methodological appropriateness and consistency determines whether the applied methods  
 13 and methodological choices (e.g., allocation, substitution, etc.) are in line with the goal and scope of the data  
 14 set, especially its intended applications and decision support context (e.g., monitoring, product-specific  
 15 decision support, strategic long-term decision support). The methods also have been consistently applied  
 16 across all data including background data sets for included processes, if any.

17  
 18 Consistency becomes an issue where secondary data is used as the data may be derived using different  
 19 assumptions (e.g., allocation approach). At a minimum, the database or data source and relevant study  
 20 should be documented for any secondary data used. Where possible, the methodological decisions should be  
 21 documented. The areas where consistency may be an issue includes allocation approach, system boundary,  
 22 temporal scope of data and geographical scope of data.

23  
 24 **Procedures to Assess Data Quality**

25 All data quality assessments are based on data quality indicators; it is how these indicators are used that may  
 26 vary. There are two procedures outlined which should be used. Primary data assessments use the qualitative  
 27 approach while either a descriptive or qualitative approach should be used for secondary data.

28  
 29 **Consolidating processes for data quality assessments**

30 Undertaking a data quality assessment may be a time consuming task especially where there are many small  
 31 emission sources. The following guidelines may be used to reduce this burden:

- 32  
 33 - Separate large individual emissions sources from other sources and conduct individual data quality  
 34 assessments on these larger sources. The definition of large is likely to vary between product  
 35 inventories. For example with a bottle of wine, the bottle itself, electricity use in the winery and  
 36 international shipping emissions may be relatively large individual emissions sources in the product  
 37 inventory, and separate data quality assessments would be conducted for each of these sources.

- 1 - Aggregate processes based on similarities between emissions sources. For the remaining smaller  
2 emissions sources, identify ways to aggregate emissions sources. For example, with producing a  
3 bottle of wine there are a number of emissions related to the production of agri-chemicals. The  
4 individual emissions related to each agri-chemical is relatively small but in aggregate they are quite  
5 large. In all likelihood the type of data and its quality may be similar or the same between each  
6 individual source and could be aggregated. The data quality assessment is carried out on this  
7 aggregated set of sources.
- 8 - Aggregate emissions within a given larger process. In some instances it may be possible to aggregate  
9 a number of smaller emissions within one larger process. For example, in Figure 10-1 and 10-2 the  
10 data sources and quantification of GHG emissions are relatively similar between for all the process  
11 within the machining and assembly processing. Therefore, the data quality assessment assesses  
12 these emissions in aggregate.

### 13 **Descriptive Data Quality Assessment**

14 A descriptive data quality assessment will outline data sources; address the technological, temporal and  
15 geographical representativeness of the data and overall methodological appropriateness and consistency of  
16 the inventory. It may also assess the precision and completeness of the data. A descriptive assessment  
17 should include:

- 18 - Indication of the largest emissions sources
- 19 - Outline of data sources and how decisions, such as those around allocation, were made.
- 20 - Statement of the overall methodological appropriateness and consistency of the product inventory
- 21 - Who, if anyone has reviewed the data
- 22 - Summary of the data quality and how the data quality was assessed

23 **Box 9-1** provides an example of how this type of data quality assessment could be undertaken.

#### 24 **Box 9-1: Example of a Descriptive Data Quality Assessment**

25 The largest sources of energy use and GHG emissions have been derived directly from the life cycle  
26 supply chain for the product. Numerous company representatives have assisted in obtaining  
accurate, relevant, and current data for the product inventory. They have also assisted with co-  
product allocation issues to accurately and fairly represent the life cycle data for the product. In  
addition, data has been reviewed by ABC Consulting Ltd for reasonableness, and calculations have  
been reviewed internally. To the best of our knowledge there is consistency in all allocation decisions  
and the setting of system boundaries throughout the inventory. Directly measured process-specific  
emissions comprised 75% of GHG emissions, 20% of GHG emissions were derived using activity  
data and emissions factors derived from secondary process data and 5% was estimated only using  
secondary data.

Data quality is summarized in Table 1. The highest quality data (A) represents about 75% of the total  
energy results and about 75% of the total GHG emissions (carbon dioxide equivalents).

Table 1: Data Quality Summary

Product Step	Source of Data	Data Quality
Product Manufacture	Actual data from client facility	A
Components made from recycled material	Actual component supplier in life cycle product chain	A
Processing	Actual processor in life cycle product chain	A
Chemicals, coatings, ancillary materials	Franklin Associates LCI database	B-C
Product Transportation by path A	Peer reviewed LCI study- detailed tables	B
Product Transportation by path B	Estimates based on actual distances	C
Pallets and Packaging	Public LCI data sources	B
Disposal Practices in U.S.	EPA MSW 2007 Facts and Figures	B
Disposal Practices in Other Countries	Literature search for this study	D
Landfill Operations in U.S.	Estimates based on Research Triangle Institute's Municipal Solid Waste Decision Support Tool	C
Landfill emissions from decomposition	Best estimates available based on most recent landfill research results	D

A = Appropriate and best possible data, reviewed for accuracy  
 B = Typical LCA data sets, reviewed for appropriateness to study  
 C = Estimates made using limited, but high quality data  
 D = Estimates made using data known to be uncertain

Modified example provided by Harmony Environmental, LLC

**Qualitative data quality assessment**

Qualitative data quality assessments can be based on data quality indicators – technological, temporal and geographical representativeness, completeness, and precision. One approach uses scoring criteria for each of these indicators (see **Table 9-2**). For the relevant emissions sources, the quality of the data is given a rating of 1 through 4. A score of 1 indicates poor quality data while a score of 4 indicates high quality data. The data quality assessment is carried out on aggregated categories of GHG emissions sources, rather than each individual emissions source.

This scoring system may still have elements of subjectivity as there may be some variability between the individual processes within a foreground process, foreground input and output flow and significant background process. For instance, one score is used to describe the data quality of all data collected for a foreground process. As a general guide, the data associated with high GHG emitting processes should influence scores for a foreground process more than lower GHG emitting processes.

In some instances, it may make sense to slightly modify the scoring criteria. For example, the technology and time scores for electronic equipment may need to be modified to reflect the rapid development of technology within that sector. Where modifications for specific products or categories of products are made, they should be transparently documented and provided with the data quality assessment.

An example of how this approach may be applied is outlined in **Figure 9-1** and **Figure 9-2**.

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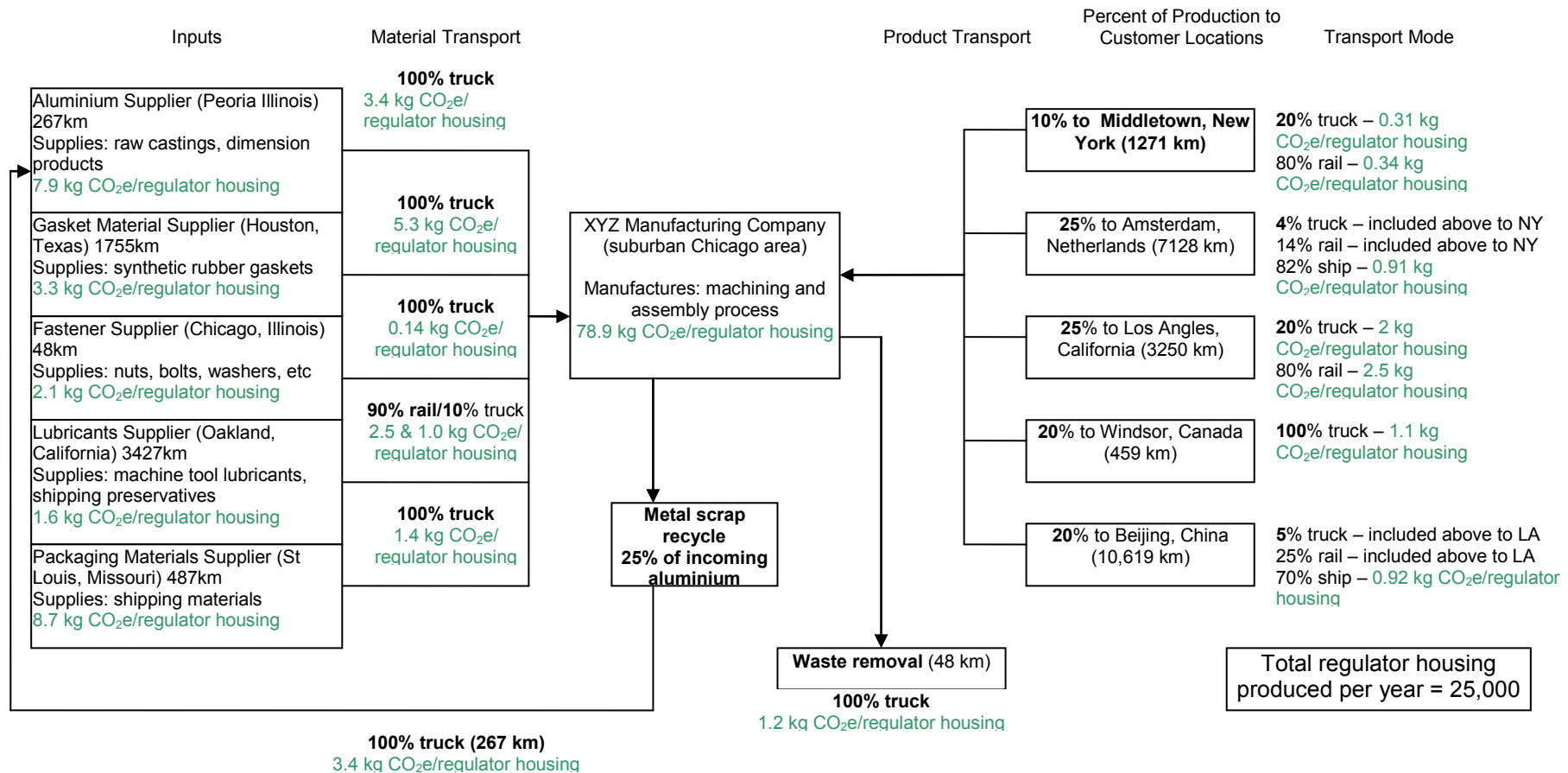
Table 9-2: Criteria to Evaluate the Data Quality Indicators

Score	Representativeness to the process in terms of:				
	Technology	Time	Geography	Completeness	Precision (used for direct measurement data only)
<b>4 (Very Good)</b>	Data from enterprises, processes and materials that are part of the product account	Data with less than 3 years of difference to the product account	Data from the area relevant to the product account	Representative data from all relevant sites over an adequate time period to even out normal fluctuations	Data has less than ±5 percent standard deviation for large emissions sources
<b>3 (Good)</b>	Data on processes and materials from the product account but from different enterprise	Data with less than 6 years of difference to the product account	Average data from a larger area but includes the area relevant to the product account	Representative data from more than 50 percent of sites for an adequate time period to even out normal fluctuations	Data has less than ±20 percent standard deviation for large emissions sources
<b>2 (Fair)</b>	Data on processes and materials from the product account but with different technology OR related processes and materials and same technology	Data with less than 10 years of difference to the product account	Data from an area smaller that that relevant to a product account	Representative data from less than 50 percent of sites for an adequate time period to even out normal fluctuations OR more than 50 percent of site but for shorter time period	Data has less than ±50 percent standard deviation for large emissions sources
<b>1 (Poor)</b>	Data on related processes and materials to those in the product account but different technology OR data where technology is unknown	Data with more than 10 years of difference to the product account OR the age of the data is unknown	Data from an area that has slightly similar production conditions to that relevant to the product account OR area that data relates to is unknown	Representative data from less than 50 percent of sites for shorter time period OR representativeness is unknown	Data has more than ±50 percent standard deviation for large emissions sources

Adapted from Weidema and Wesnaes (1996).

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Figure 9-1: Applying a qualitative data quality assessment for the manufacture of aluminum and cast iron regulator housings for use with natural gas combustion equipment



**GHG emissions from aggregated sources:**

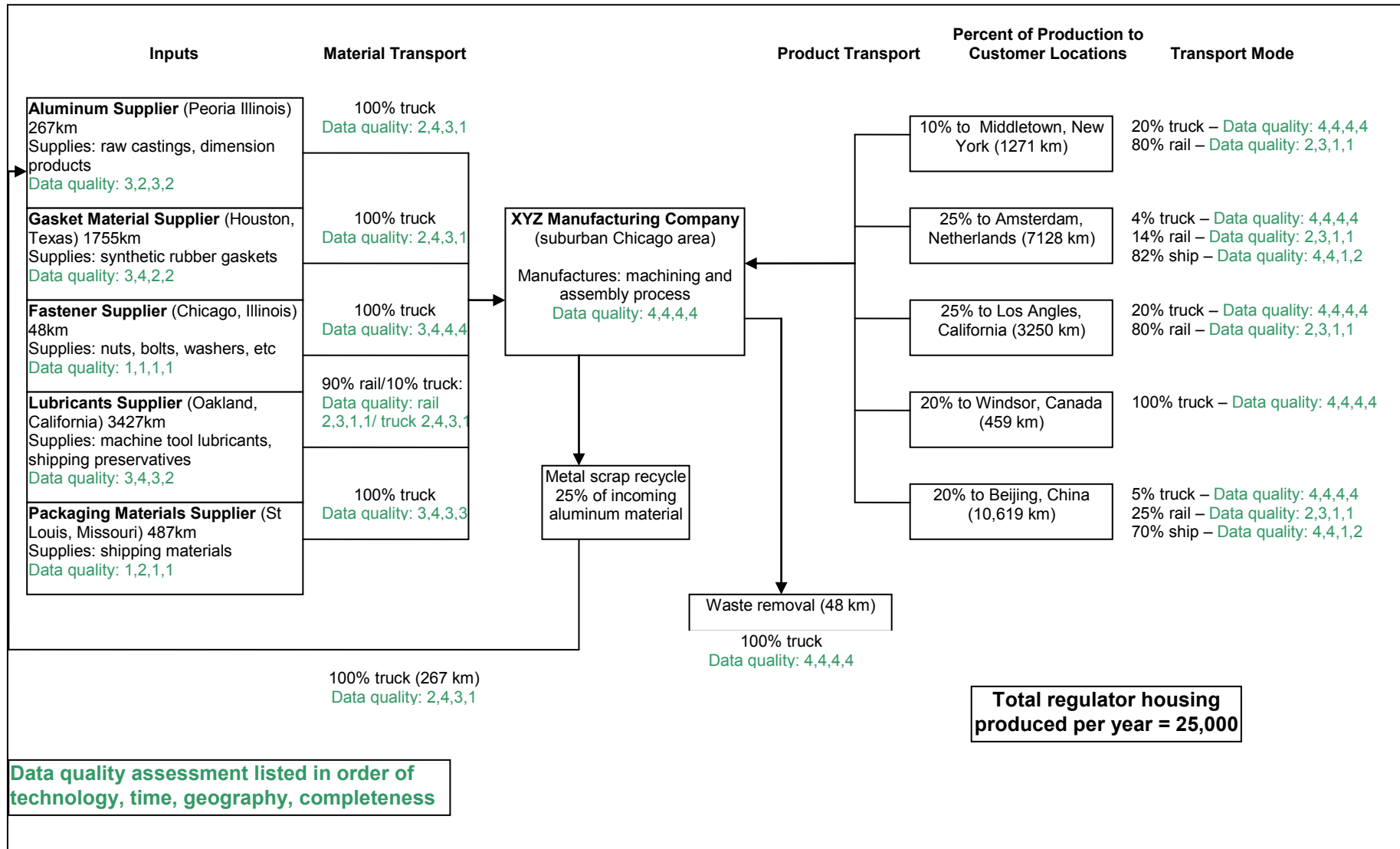
- Total supplier GHG emissions = 23.6 kg CO<sub>2</sub>e/regulator housing
- Total supply chain transport GHG emissions = 13.74 kg CO<sub>2</sub>e/regulator housing
- Total manufacturing GHG emissions = 78.9 kg CO<sub>2</sub>e/regulator housing
- Total waste GHG emissions = 4.6 kg CO<sub>2</sub>e/regulator housing
- Total distribution GHG emissions = 8.08 kg CO<sub>2</sub>e/regulator housing
- Total GHG emissions/regulator housing produced = 128.92 kg CO<sub>2</sub>e/regulator housing

**Percent of data derived from data quantification methods:**

- Directly measured process specific GHG emissions = 18%
- Activity data \* emissions factors from secondary process data = 82%



Figure 9-2: Applying a qualitative data quality assessment for the manufacture of aluminum and cast iron regulator housings for use with natural gas combustion equipment.



1                                    **9.2.3. Assessing Uncertainty (to be further developed)**

2    **Uncertainty** is a measure of the knowledge of the magnitude of a parameter. Uncertainty may be  
3 reduced by research, i.e., the parameter value is refined. Uncertainty is quantified as a distribution. For  
4 example the volume of a lake may be estimated from its surface area and an average depth. This  
5 estimate can be refined by measurement. For example, conversion factors used to calculate CO<sub>2</sub>e  
6 emissions may be uncertain (modeling uncertainty).

7  
8    **Sources of uncertainty**

9  
10   **Approaches to assess uncertainty**

11  
12    **Variance**, a term often confused with uncertainty, is a measure of the heterogeneity of a landscape  
13 parameter or the inherent variability in a chemical property. Variance cannot be reduced by further  
14 research. It is quantified as a distribution. For example, the organic carbon content of the soil in a region  
15 may vary, even over short distances. The soil is not homogenous and thus the organic carbon content is  
16 described with a distribution of values. For example, the energy inputs needed to produce wheat may  
17 vary depending on soil type, climate etc.  
18

19                                    **9.2.4. Interpreting data quality and uncertainty (to be further**  
20                                    **developed)**

21  
22    Evaluating data quality and uncertainty is useful to both the generators and users of data. Opportunities  
23 for improvement may be identified for those foreground processes and corresponding input and output  
24 flows and significant background process where all or some data are assigned low data quality scores.  
25

26    For example, the data from the packaging suppliers in **Figure 9-1** and **Figure 9-2** scored poorly in terms  
27 of temporal and geographic representativeness and completeness. This indicates to the data generator  
28 where they should focus efforts to improve the data. Any steps to improve data quality should focus on  
29 the larger emissions sources first. For the data user, it indicates where they may use data with confidence  
30 and where they may like to undertake sensitivity or scenario analysis to assess the impact of poor quality  
31 or uncertain data on the final product inventory.  
32

33                                    **9.2.5. Improving data quality**

34  
35    Data quality indicators should be used in an iterative fashion to improve the overall quality of a product  
36 account.  
37

38    *Step 1:* Identify the appropriate time period, geography and technology for the data to be collected.

39  
40                                    Identifying the time, area and technology should be the first consideration when developing and  
41 collecting data for a product inventory. If data comes from governmental agencies any delay in  
42 publishing data should be considered.  
43

44    *Step 2:* Assess data quality, uncertainty and variability

45  
46                                    For the data collected, assess the quality and level of uncertainty and variability of the data of  
47 foreground processes, foreground input and output flows and significant background processes  
48 that correspond to the outlined standards.  
49

50    *Step 3:* Assess impact of low quality and/or uncertain data  
51

1 Using the data quality and uncertainty assessment, highlight any data whose quality could be  
2 improved and where this may have a material impact on the product inventory. Sensitivity or  
3 scenario analysis should be used to establish likely materiality (see section below – *under*  
4 *development*). The thresholds used to determine a material threshold should be documented.  
5

6 **Step 4: Update and adjust data sources**  
7

8 Either document the use of low quality or highly uncertain data for improvements in future product  
9 inventories or try to source better data for the current product inventory. Improved data may come  
10 from different secondary data sources or from improved internal data collection procedures for  
11 those processes controlled by the reporting company.  
12  
13

14 **Sensitivity Analysis (to be completed)**  
15  
16

## 10. Calculating GHG Emissions

### 10.1. Requirements

To calculate carbon dioxide equivalents (CO<sub>2</sub>e) of all non-CO<sub>2</sub> gases (CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>, HFCs, CFCs) the company shall use and report the most recent 100-year IPCC global warming potentials (GWP). The 100-year GWP is a metric used to describe the time-integrated radiative characteristics of well mixed greenhouse gases over a 100-year time horizon. GWPs represent the combined effect of the differing times GHGs remain in the atmosphere and their relative effectiveness in absorbing outgoing infrared radiation (IPCC). Although other time horizons are available (IPCC publishes 20 and 500-year GWPs), 100 years is the widely accepted time horizon adopted by UNFCCC in the Kyoto Protocol.

The total GHG emissions for a product inventory shall be calculated as the sum of GHG emissions, in CO<sub>2</sub>e, of all foreground processes and significant background processes within the system boundary.

### 10.2. Guidance

#### 10.2.1. Converting non-CO<sub>2</sub> gases to CO<sub>2</sub>e

Total product emissions are calculated by summing the GHG emissions from each process in the foreground, foreground input and output flow and significant background process. The emissions from the individual process are likely to be a mix of measured emissions and emissions derived from multiplying activity data by an emissions factor, and may have different metrics (e.g., kilograms and tones of CO<sub>2</sub>e, kilograms of CO<sub>2</sub>, N<sub>2</sub>O or CH<sub>4</sub>).

The emissions from each process should be converted to a common unit before they are summed (i.e. kilograms of CO<sub>2</sub>e per defined functional unit).

#### 10.2.2. Quantifying emissions

For each process the GHG emissions are quantified by either:

- a) directly measuring emissions from specific processes
- b) disaggregating site-specific aggregated data to the product level
- c) multiplying site and process specific activity data by an emissions factor
- d) using secondary data only (e.g. for use phase emissions)

Once the GHG emissions for each process have been quantified, it is generally more straightforward to then convert all non-CO<sub>2</sub> emissions to CO<sub>2</sub>e before calculating total product inventory GHG emissions. If there are any differences in the unit used to quantify GHG emissions, then emissions should be converted to a consistent per unit basis or metric. For example, in the product inventory for a bottle of wine some processes may have been quantified on a 'per tonne of grapes' basis or 'a per bottle of wine' basis. Therefore, all metrics would be converted to a bottle of wine basis. The common basis or metric should reflect the functional unit/product identified for the product inventory.

Once emissions from all foreground processes and significant background process are in CO<sub>2</sub>e and are based on a common metric, then the total GHG emissions are then calculated by adding the emissions from all GHG sources together.

The following emission sources should not be included in the quantification of emissions:

- Emission credits due to the storage of carbon in a product
- Biogenic carbon emissions due to the combustion of renewable bio-based materials
- Purchased Offsets

- 1 - Avoided emissions due to consequential modeling assumptions  
2 - Allocation of emissions due to recycling that cannot be justified or proved (i.e. assuming a product  
3 may be recycled when no recycling data exists)  
4  
5 Carbon storage and biogenic carbon emissions due to combustion should be reported separately from  
6 the inventory results in the summary report (as defined in **Chapter 12**). All other sources may be reported  
7 in the detailed report as optional information if it is clearly stated that the calculation of these emissions  
8 were not in conformance with the GHG Protocol Standard.

9                   10.2.3.       **Additional Guidance on Collecting and Calculating**  
10                   **Data**

11 Guidance on collecting and calculating data for land use and land use change, capital goods, and  
12 electricity emissions are include in **Appendix B**.  
13  
14

# 11. Assurance

## 11.1. Introduction

Performing assurance around the calculation of a product GHG inventory supports the goals of providing confidence to users that the reported information is fairly stated and the business goals outlined in **Chapter 1**. In this standard, the term assurance is used in place of the term verification, which is used in Chapter 10 of the GHG Protocol Corporate Accounting and Reporting Standard. It is the recommendation of experts in the area that assurance is a more accurate representation of this activity.

The purpose of this chapter is to:

1. Establish requirements for the type of assurance that shall be performed and presented alongside the product GHG inventory in order for a company to demonstrate compliance with this standard; and
2. Provide guidance on the key aspects of obtaining such assurance.

Assurance is when an assurance provider expresses a conclusion designed to enhance the degree of confidence of the intended users (other than the preparer of the product GHG inventory report) over the measurement of the product GHG inventory against defined criteria. The defined criteria should include all required elements of this Standard and the relevant optional elements.

Assurance is an objective assessment of the accuracy, completeness and presentation of a reported product GHG inventory and the conformity of the product GHG inventory to the Standard<sup>18</sup>. Although assurance of product GHG inventory is still evolving, the emergence of reporting and assurance standards, such as ISO14064, Part 3; ISO14065; PAS 2050: 2008 and this Standard<sup>19</sup>, should help product GHG inventory reporting become more consistent and credible, with assurance becoming more accessible and widely understood.

Assurance involves an assessment of the risks of material discrepancies in reported data. Such discrepancies relate to differences between reported data and data generated from the proper application of the Standard. In practice, assurance involves the prioritization of effort by the assurance provider towards the higher risk areas that have the greatest impact on overall accuracy, completeness and presentation. However, an assurance provider cannot provide *absolute* assurance because there are inherent limitations that affect the assurance provider's ability to detect material discrepancies. These limitations result from factors such as the assurance provider testing less than 100% of inputs to the product GHG inventory, and the fact that most assurance evidence is persuasive, rather than conclusive. Rather, the assurance provider provides 'reasonable assurance' or 'limited assurance', depending on the nature and extent of the assurance provider's work.

The categories of risks related to potential errors, omissions and misrepresentation that are considered by assurance providers are:

- Inherent Risk: susceptibility of data to material misstatement, assuming there are no related internal controls

<sup>18</sup> Assurance is based on an assertion by management that their report is prepared in line with applicable criteria (refer to section 1.3.4 for further information on criteria). In representing that their product GHG inventory is in accordance with applicable criteria, management implicitly or explicitly make an assertion regarding the quantification, presentation and disclosure of the inventory. Assertions provide the assurance provider with a framework that can be used when identifying the risks of material misstatement and gathering engagement evidence in response to identified risks.

<sup>19</sup> Refer to the Appendix for more information on these standards

- 1 - Control Risk: the risk that a material misstatement could occur and not be prevented or detected  
2 on a timely basis by the entity's internal controls. This risk is a function of the effectiveness of the  
3 design and operation of internal control in achieving the entity's objectives relevant to the product  
4 GHG inventory. Some control risk may always exist because of the inherent limitations of internal  
5 controls.
- 6 - Detection Risk: the risk that the assurance provider may not detect a material misstatement that  
7 exists in a product GHG inventory. This risk is a function of the effectiveness of the procedures  
8 performed. It arises partly from uncertainties that exist when less than 100% of the data is  
9 examined.

10  
11 The process of developing an assurable product GHG inventory is largely the same as that for obtaining  
12 reliable and defensible data; i.e., designing and implementing adequate processes and controls to  
13 support the obtaining of reliable data and documenting the approach and methodologies used to allow  
14 appropriate interpretation of the product GHG inventory. Therefore, whilst this chapter should provide  
15 insight to the assurance process and where an assurance provider is likely to focus their procedures, it  
16 does not negate the need for companies to make a good faith effort to provide a complete and accurate  
17 product GHG inventory.

18  
19 **Level of assurance**

20 The level of assurance refers to the degree of confidence the intended user of the assurance conclusion  
21 may gain from the outcome of the assurance evaluation. The level of confidence that may be gained is  
22 provided in the wording of the assurance conclusion, which reflects the conclusion the assurance provider  
23 reaches based on the reduction of the assurance risk. Assurance engagement risk is the risk that the  
24 practitioner expresses an inappropriate conclusion when the subject matter information is materially  
25 misstated.

26  
27 There are 2 levels of assurance:  
28

Assurance opinion	Limited	Reasonable
Nature of opinion	Negative opinion given – moderate assurance	Positive opinion given - high assurance
Example of report wording	'Based on the results of our procedures nothing has come to our attention that indicates that management's product GHG inventory report/ assertion is not fairly stated, in all material respects is accordance with the defined criteria.'	'In our opinion, management's product GHG inventory report/ assertion is fairly stated, in all material respects, in accordance with the defined criteria.'

29  
30 The level of assurance required should dictate the amount of evidence required. An assurance provider  
31 should only provide confirmation to a reasonable assurance level, never absolute as 100% of inputs to  
32 the product GHG inventory are not tested.

33  
34 The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level  
35 that is acceptable in the circumstances of the engagement, but where the risk is greater than for a  
36 reasonable assurance engagement. The assurance provider expresses their opinion in a negative form –  
37 “From what we have looked at, nothing has come to our attention”. The opinion is negative as it is  
38 restricted to the specific areas assured and doesn't state that the information is free from material  
39 misstatement but that the assurance procedures performed have highlighted no errors.

40  
41 The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an  
42 acceptably low level in the circumstances of the engagement. The assurance provider expresses their  
43 opinion in a positive form – 'is free from material misstatement'. Reasonable assurance gives a high, but

1 not absolute, level of assurance, expressed positively in the assurance report as reasonable assurance,  
2 that the product GHG inventory is free from material misstatement.

## 3 **11.2. Requirements**

4  
5 In order to state compliance with the Standard, the product GHG inventory shall be assured.

6  
7 The following types of assurance are permissible:

- 8 - First Party (“Self” or “Internal”) assurance – Persons from within the organization but independent  
9 of the product GHG inventory determination process, conduct first party internal assurance;
- 10  
11 - Third Party (“External”) assurance – Persons from a certification or assurance body independent  
12 of the product GHG inventory determination process, conduct independent third party external  
13 assurance.

14  
15 Assurance providers, whether internal or external to the organization<sup>20</sup>, shall be sufficiently independent  
16 of any involvement in the determination of the product GHG inventory or development of any declaration  
17 and have no conflicts of interests resulting from their position in the organization, such that they exercise  
18 objective and impartial judgment.

19 The assurance opinion shall be expressed in the form of either reasonable assurance or limited  
20 assurance<sup>21</sup>.

21 When reporting a product GHG inventory, the assurance opinion shall also be presented, including or  
22 accompanied by a clear statement identifying whether First or Third Party assurance has been obtained.

23 Where internal assurance providers are used, their relevant competencies and reasons for selecting them  
24 as assurance providers shall be disclosed in the product GHG inventory report or assurance statement.

## 25 **11.3. Guidance**

### 26 **11.3.1. Objectives of assurance**

#### 27 **For the company seeking assurance**

28 Before commissioning assurance, a company should clearly define its objectives and decide whether they  
29 are best met by internal or external assurance. Common reasons for undertaking assurance include:

- 30 - Increased credibility of a publicly reported product GHG inventory and progress towards reduction  
31 targets, leading to enhanced stakeholder trust, particularly for consumers
- 32 - Increased senior management confidence in reported information on which to base investment  
33 and target setting decisions
- 34 - Improvement of internal accounting and reporting practices (e.g., calculation, recording and  
35 internal reporting systems, and the application of product GHG inventory accounting and  
36 reporting principles), and facilitating learning and knowledge transfer within the company
- 37 - Preparation for mandatory assurance requirements of product GHG inventory programs.

#### 38 **For the assurance providers**

39  
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<sup>20</sup> Although either of the above types of assurance are permitted, benefits of external assurance are outlined in the guidance section.

<sup>21</sup> At the time of writing, reasonable assurance is not widely provided for GHG reporting (this is the case for both corporate and product GHG inventories). This is largely due to immature controls around GHG data that often results in the time requirement and hence cost of a reasonable assurance engagement being prohibitive. However, over time and as controls improve, it is expected that reasonable assurance will become more, commonplace.



- 1 When conducting an assurance engagement over a product GHG inventory the objective of the  
2 assurance provider is:
- 3 - To obtain reasonable assurance about whether the product GHG inventory as a whole is free  
4 from material misstatement; or
  - 5 - To obtain limited assurance that nothing has come to their attention that causes them to believe  
6 that the product GHG inventory is materially misstated; and
  - 7 - To report on the product GHG inventory in the form of an assurance opinion, in accordance with  
8 their findings and the level of assurance they have been engaged to provide.
- 9

10 **11.3.2. Timing of the assurance**

11  
12 The engagement of an assurance provider may occur at various points during the product GHG inventory  
13 preparation and reporting process. Some companies may establish a semi-permanent internal assurance  
14 team to facilitate that product GHG inventory data standards are being met and improved on an on-going  
15 basis.

16 Assurance procedures that occur during a reporting period allows for any reporting deficiencies or data  
17 issues to be addressed before the final fieldwork is carried out. This may be particularly useful for  
18 companies preparing high profile public reports. However, companies should be aware that:

- 19 - some procedures may only be performed when the final product GHG inventory has been  
20 prepared; and
  - 21 - the related assurance on the final product GHG inventory shall be completed before conformity  
22 with the Standard is confirmed.
- 23

24 **11.3.3. Selecting an assurance provider**

25 An assurance provider, whether internal or external, should apply the principles listed in

1 **Box 11-1.** While assurance is often undertaken by an independent, external assurance provider this need  
2 not be the case. Many companies interested in improving their product GHG inventory may subject their  
3 information to internal assurance. In this case, the personnel should at least be independent of those  
4 undertaking the product GHG inventory accounting and reporting process. Both internal and external  
5 assurance should follow similar procedures and processes. For external stakeholders, external assurance  
6 is likely to significantly increase the credibility of the product GHG inventory. However, internal assurance  
7 may also provide valuable assurance over the reliability of information and may be a worthwhile learning  
8 experience for a company prior to commissioning external assurance. It may also provide external  
9 assurance providers with useful information. Consequently, the use of external assurance as a final step  
10 is a decision at the discretion of the company.

11  
12 A credible and competent product GHG inventory assurance provider has:

- 13 - Deep assurance expertise and proven previous experience and competence in undertaking  
14 assurance engagements under recognized assurance frameworks. This includes making  
15 objective judgments on fact based material issues, assessing the quality of data and the  
16 application of product GHG inventory methodology rules;
- 17 - Robust assurance methodologies including the ability to assure data and information systems;
- 18 - Ability to assess the sources and the magnitude of potential errors, omissions and  
19 misrepresentations for further assurance activities;
- 20 - Knowledge of the company's activities, industry sector and products and understanding of  
21 product GHG inventory principles, methodologies and limitations, including (but not limited to)  
22 knowledge of product life cycle, scope, unit of analysis (functional unit), system boundary,  
23 allocation, and calculation methodologies including LCA software (e.g. databases and modeling  
24 software); and
- 25 - Objectivity, impartiality, credibility, independence and professional skepticism to challenge data  
26 and information.

### 27 28 **External assurance**

29 There are several standards, accreditation schemes and frameworks in place to assist companies in  
30 selecting a credible and competent external assurance provider. For example:

- 31 - Various accreditation schemes are currently available to GHG assurance providers world-wide,  
32 particularly for regulated schemes, for example UKETS, EUETS, CDM/JI. Typically, these  
33 accreditations are against the requirements established in ISO 14065. Accreditation to ISO 14065  
34 indicates that the organization performing the assurance has been independently tested against  
35 specified criteria (including competence) by a recognized and authorized body (although the  
36 company engaging the assurance provider may wish to ensure that the scope accreditation  
37 covers their specific requirements).
- 38 - Professional, registered auditors in public practice are required to comply with ISAE 3000, the  
39 International Framework for Assurance Engagements, the Quality Control Standard ISQC1 and  
40 other ethical requirements. Assurance provided under these standards also gives high credibility  
41 to the assurance provider.

42 This standard does not require assurance providers to be accredited under any scheme and it is left to  
43 the discretion of the organization intending to obtain assurance over their product GHG inventory to  
44 identify the most appropriate assurance provider for their circumstances. All credible assurance  
45 practitioners should follow the principles established in recognized standards, such as ISAE 3000 or ISO  
46 14065, and be able to demonstrate this to their clients.

47 When choosing their assurance provider, companies should consider the knowledge and qualifications of  
48 the individual(s) conducting the assurance as well as broader experience and/or accreditation of the  
49 organization they represent. Effective assurance of product GHG inventories often requires a mix of  
50 specialized skills, not only at a technical level (e.g., engineering expertise and product life cycle  
51 specialists) but also at a business level (e.g., assurance, industrial sector and information system  
52 specialists). This includes at least one member of the assurance team having sufficient knowledge,  
53 understanding and experience of life cycle analysis sufficient to be able to objectively assess the  
54 suitability of the criteria.

1 Companies may also wish to ensure that the lead assurance provider assigned to them is appropriately  
2 qualified and experienced. The lead assurance provider should have the ability and experience to  
3 manage an engagement including planning, managing risk, assurance execution, objective judgment and  
4 drawing appropriate conclusions.

5 Advantages to a company of engaging an external credible and competent assurance provider include:

- 6 - Confidence that the independence, impartiality, integrity, management and competence of  
7 personnel employed by the assurance provider are scrutinized by an independent body against  
8 established standards or requirements;
- 9 - Increased credibility over reported product GHG inventories;
- 10 - Improved management confidence in reported information on which to base strategic, investment  
11 and reduction target decisions; and
- 12 - Enhanced stakeholder confidence when making investment and/or purchasing decisions.

13  
14 Internal assurance

15 If using an internal assurance provider, companies should seek a suitable independent team who  
16 demonstrate the most relevant experience for the task. The guidance above relating to external  
17 assurance providers should be a useful aid in identifying the appropriate skills. For example, employees  
18 within internal audit who have a scientific background and/or experience with corporate GHG inventories  
19 may be considered suitable or site engineers experienced with environmental site assessment audits.

1

**Box 11-1: Principles for Assurance Providers**

**Competency and due care**

Personnel have the necessary skills, experience, supporting infrastructure and capacity to effectively complete validation or assurance activities.

**Confidentiality**

Confidential information obtained or created during assurance activities is safeguarded and not inappropriately disclosed.

**Impartiality**

Decisions are based on objective evidence obtained through the assurance process and not influenced by other interests or parties.

**Integrity**

Integrity is a prerequisite for all those who act in the public interest. It is essential that assurance providers act, and are seen to act, with integrity, which requires not only honesty but a broad range of related qualities such as fairness, candor, courage, intellectual honesty and confidentiality. Integrity includes assessing and, if appropriate, disclosing whether any conflicts of interest arise should an assurance provider take on a product GHG inventory engagement.

**Objectivity**

Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other. It is sometimes described as 'independence of mind'. The assurance opinion is based on evidence collected through an objective assessment of the product GHG inventory.

2  
3

4                                    11.3.4.                    **Establishing assurance parameters**

5

6     The scope of assurance and the level of assurance it provides may be influenced by the company's wider  
7     goals and/or any specific jurisdictional requirements. It is possible to assure the entire product GHG  
8     inventory or specific parts of it, although the assurance providers should need to satisfy themselves that  
9     assurance over a part of a product GHG inventory is meaningful to the user, e.g. assurance over a  
10    cradle-to-gate assessment would be meaningful to a business customer. The assurance process may  
11    also examine more general managerial issues, such as quality management procedures, managerial  
12    oversight, data processes and controls, knowledge and experience of personnel, clearly defined  
13    responsibilities, segregation of duties and internal review procedures.

14    The company and assurance provider should reach agreement on the level of assurance required:  
15    reasonable assurance, or limited assurance.

16    Where an assurance provider external to the company is used, the terms of the engagement should be  
17    agreed in a contract in advance (before the commencement of the assurance procedures). This contract  
18    confirms the intended use of the assurance opinion. It is also important that the respective  
19    responsibilities of management of the company and the assurance provider are clearly defined and  
20    understood.

21    The company is responsible for determining the assurance criteria, and for establishing policies and  
22    procedures to measure, record and report the product GHG inventory in accordance with those criteria.  
23    The assurance provider's responsibility is to form an independent opinion, based on their assurance  
24    procedures, on whether the product GHG inventory is fairly stated in accordance with the criteria, to the  
25    extent of the level of assurance sought. Because the assurance provider is required to be independent,  
26    they should have no involvement in setting the criteria, establishing processes in relation to, or executing  
27    any part of, the product GHG inventory.

28

Clearly defined criteria are not only important to the company and assurance provider, but also for external stakeholders to be able to make informed and appropriate decisions. Criteria communicate the basis of preparation used to measure the product GHG inventory, similar to the general information and study information given in Summary Reporting template (Table 12-1) in Chapter 12. Criteria are required as a frame of reference to achieve consistency in interpretation and understanding of the assurance opinion. It is for this reason that criteria need to be made available to all users of the assurance report.

Assurance providers should assess the suitability of the criteria and in doing so should assess whether:

- all Standard requirements are included
- the product system, boundaries and functional unit are clearly defined
- assumptions and estimations made are appropriate in the circumstances
- selection of primary and secondary data is appropriate and methodologies used are adequately disclosed (with references to external sources where applicable)
- the attributional approach is used (unless sector-specific guidance is cited)
- exclusions are reasonable in the context of the whole.

### 11.3.5. The concept of materiality

Information is considered to be material if, by its inclusion or exclusion, it may be seen to influence decisions or actions taken by users of it. A **material discrepancy** is an error (for example, from an oversight, omission, miscalculation or fraud) that results in a reported quantity or statement being sufficiently different from the true value or meaning to influence a user's decisions. In order to express an opinion on management's report/ assertion over the data or information, an assurance provider needs to form a view on the materiality of identified errors or uncertainties, individually and in aggregate. While the concept of materiality involves professional judgment and includes consideration of both quantitative and qualitative aspects, the point at which a discrepancy becomes material (**materiality threshold**) is usually pre-defined. As a rule of thumb, it may be considered that an error is materially misleading if its value exceeds 5% of the total product GHG inventory being assured. However, such a threshold does not negate the principle of completeness and companies need to make a good faith effort to report a complete and accurate product GHG inventory. For cases where emissions have not been estimated, or estimated at an insufficient level of quality, it is important that this is transparently documented and justified.

Consequently, assurance providers may adjust this materiality threshold during the course of their procedures if, for example, omissions are identified. Note - A materiality threshold is not the same as "de minimus" emissions, or a permissible quantity of emissions that a company may leave out of a product GHG inventory.

Materiality is used by the assurance provider during the planning process and then again in evaluating the evidence obtained:

**Planning:** The concept of materiality is used when designing the assurance approach and sampling plans. A materiality threshold provides guidance to assurance providers on what may be an immaterial discrepancy so that they concentrate their work on areas that are more likely to lead to materially misleading errors.

**Evaluation:** The concept of materiality is also used to assess whether errors and omissions identified during the course of the assurance process that, if uncorrected or omitted, would significantly misrepresent a product GHG inventory to intended users, thereby inappropriately influencing their conclusions or decisions.

Understanding how assurance providers apply a materiality threshold should enable companies to more readily establish whether any errors in their product GHG inventory are likely to raise questions of materiality. Materiality thresholds may also be outlined in the requirements of a specific product GHG

1 inventory program or determined by an assurance standard, depending on who requires the assurance  
2 and for what reason.

3  
4 **Box 11-2: Understanding Qualitative Aspects of Materiality**

An assurance provider can be expected to assess errors within the full context of what is being assured and what a user may consider material, for example:

- where a company has a reduction target to reduce a product's GHG inventory by a set amount or percentage. Clearly, if the company's target is a 5% reduction, then the materiality threshold should be set at such a level to enable them to conclude whether or not this has been achieved; or
- where a regulatory environment requires reduction by a certain amount. A material error would include those that may be small in isolation but would mean the difference between compliance and non-compliance.

5  
6  
7 **Assessing the risk of material discrepancy**

8 Assurance providers need to assess the risk of material discrepancy for each component of the product  
9 GHG inventory information collection, calculation and reporting process. This assessment is used to plan  
10 and direct the assurance process. In assessing this risk, they should consider a number of factors,  
11 including:

- Complexity and nature of the product GHG inventory
- The technical knowledge and expertise of the person(s) compiling the product GHG inventory
- The structure of the organization and the approach used to assign responsibility for the collection, calculation and reporting processes associated with product GHG inventories
- The approach and commitment of management to the collection, calculation and reporting processes associated with product GHG inventories
- Development and implementation of policies, processes, controls and procedures for collection, calculation and reporting (including documented methods explaining how data is generated and evaluated)
- Processes, controls and procedures used to check and review calculation methodologies
- Complexity and reliability of the computer information system used to process the information
- The state of calibration and maintenance of meters, and the types of meters used
- The defined system boundary for the product or supply chain
- The allocation methodology and assumptions made
- Reliability and availability of input data, including primary and secondary
- The nature of assumptions and estimations used
- Aggregation of data from different sources
- The extent to which reduction and/or competitive claims are made over the product GHG inventory
- Other assurance processes to which the systems and data are subjected (e.g., internal audit, external reviews and certifications).

34  
35 **11.3.6. Preparing for Product GHG Inventory assurance**

36 **General preparation**

37 Irrespective of whether the assurance provider is internal or external, assurance providers' needs are  
38 similar. The presence of a transparent, well-documented system (referred to as an audit trail) is crucial for  
39 the achievement of assurance. Assurance providers should require access to significantly more detailed  
40  
41

1 information than that established for the minimum reporting requirements (**Chapter 12**). Sufficient and  
2 appropriate evidence needs to be available to support the product GHG inventory subject to assurance,  
3 i.e. the assurance provider should need to see evidence that supports the inputs to the calculation,  
4 supporting justification for assumptions made etc. The evidence should be sufficient to demonstrate  
5 consistent application of the criteria. Information required by the assurance provider may include (but not  
6 be limited to) the following:

- 7
- 8 - Information about the company, its structure, geographic location main activities and controls
- 9 culture and environment
- 10 - Details of the product system and criteria
- 11 - Documented processes or procedures for identifying sources of GHG emissions for the product
- 12 GHG inventory within the company and along the supply chain
- 13 - Changes since any previous assurance to the system boundaries, processes, assumptions, data
- 14 sources or other elements that affect the product GHG inventory
- 15 - Information on other assurance processes to which the systems and data are subjected (e.g.
- 16 internal audit, external reviews, assurance over part of the supply chain and/or certifications)
- 17 - Both primary and secondary data and evidence used for calculating product GHG inventory
- 18 emissions. This might, for example, include:
  - 19 o Energy consumption data (e.g. invoices, meter readings: electricity, natural gas , steam,
  - 20 and hot water.)
  - 21 o Production data (e.g. grams of material produced, kWh of electricity produced)
  - 22 o Raw material consumption data for mass balance calculations (e.g. invoices, delivery
  - 23 notes, weighbridge tickets)
  - 24 o Emission factors used and their respective sources
- 25 - Description of how product GHG inventory emissions data has been calculated:
  - 26 o Emission factors and other parameters used and their justification
  - 27 o Assumptions on which estimations are based
  - 28 o Information on the measurement accuracy of meters and weighbridges etc., (e.g.,
  - 29 calibration records), and other measurement techniques
  - 30 o Documentation on what, if any, product GHG inventory sources or activities are excluded
  - 31 due to, for example, technical or cost reasons
- 32 - Information gathering process:
  - 33 o Description of the procedures, systems and controls used in collecting, documenting,
  - 34 processing and collating product GHG inventory emissions data
  - 35 o Description of quality control procedures applied (e.g. internal audits, comparison with
  - 36 previous years' data, peer calculation or review)
- 37 - Other information:
  - 38 o List of (and access to) persons responsible for collecting product GHG inventory
  - 39 emissions data at each site, at corporate level and suppliers
  - 40 o Information on uncertainties, qualitative and if available, quantitative.
- 41

42 A company, particularly where they have not yet implemented systems and controls for routinely  
43 accounting and recording product GHG inventory emissions data, may wish to obtain a pre-assurance  
44 assessment from the assurance provider as to whether their processes and controls are sufficiently  
45 robust for assurance. Under these circumstances, assurance providers may make recommendations on  
46 how current measurement, data collection and collation procedures and controls can be improved to  
47 enable an assurance engagement to commence.

48  
49 Companies are responsible for ensuring the existence, quality and retention of documentation so as to  
50 create an audit trail of how the product GHG inventory was compiled. Companies should be mindful of  
51 this when designing and implementing product GHG inventory data processes and procedures.

### 52 **Site / supply chain visits**

53 Assurance providers may need to visit a number of sites/supply chain organizations to enable them to  
54 obtain sufficient, appropriate evidence in order to form a conclusion over the product GHG inventory. The  
55 sites / supply chain organizations visited may be selected on the basis of their proportional importance in  
56

1 the context of the whole product GHG inventory. The selection of sites / supply chain organizations to be  
2 visited should be based on consideration of a number of factors, which may include the:

- 3 - nature of the product/service
- 4 - nature of the life cycle and product GHG inventory emission sources at each site/supply chain  
5 organization
- 6 - complexity of the emissions data collection and calculation procedures
- 7 - percentage contribution to total product GHG inventory emissions from each site / supply chain  
8 organization
- 9 - risk that the data from sites / supply chain organizations may be materially misstated
- 10 - competencies and training of key personnel
- 11 - adequacy and quality of evidence supplied remotely (e.g. electronically or by post); and
- 12 - results of previous reviews, assurance, and uncertainty analyses.

13  
14 It is in the interests of the company to retain evidence used in calculating their product GHG inventory,  
15 whether relating to their own operations or those of others in their supply chain, for inspection by the  
16 assurance providers. Companies should ensure they obtain and retain sufficient evidence to support the  
17 accuracy of data and reasonableness of assumptions, judgments and estimations. Where visits to other  
18 sites in the supply chain may be necessary, companies may wish to include a clause allowing access for  
19 assurance providers in their contracts. The retention of adequate supply chain documentation may help to  
20 minimize visits required by assurance providers to other organizations' sites. However, it would be  
21 unusual, regardless of the level of assurance sought, for site visits to the reporting company not to be  
22 made.

### 23 24 **Automated processes**

25 LCA software is often used in supply chain and product GHG inventory calculations and may be the only  
26 realistic option available to the company on the basis of, for example, cost, data availability, and time.  
27 Depending on inherent risk and the level of assurance sought, assurance providers may deem it  
28 appropriate to perform some procedures on the LCA software itself. Indeed, this may be the most efficient  
29 way of obtaining sufficient comfort for the level of assurance sought.

30  
31 In addition to procedures over the data analysis tools within the system, an assurance provider may  
32 perform procedures over the existence and operating effectiveness of system controls such as:

- 33 - Access controls: The system should be password protected and allow users to have different levels of  
34 access depending on their role.
- 35 - Segregation of duties: In a strong control environment, the system may be used to ensure  
36 segregation of duties is maintained.
- 37 - User log and edit tracking: The system should record when data changes have been made and by  
38 whom.
- 39 - Data protection and back-up: Sufficient controls should be in place over data protection and data  
40 back-up.
- 41 - Change management: any updates (bespoke or otherwise) to the system should be tracked, tested  
42 and approved prior to introduction into the live system.
- 43 - System interfaces: if data is moving between the LCA software and other systems, controls should be  
44 in place to validate the completeness and accuracy of the transfer.

### 45 46 **11.3.7. Using the assurance findings**

47  
48 Before assurance providers issue their opinion, they are expected to share their significant findings with  
49 the company. This should include any material discrepancies they have identified, both discrepancies that  
50 are individually material and those that are material when considered in aggregate. This provides an  
51 opportunity to adjust the product GHG inventory to eliminate the material discrepancies. If the assurance  
52 providers and the company do not come to an agreement regarding adjustments, then an unqualified  
53 ("clean") assurance opinion may not be appropriate. In these circumstances a qualified opinion,  
54 expressing the nature of the material discrepancy may be issued.



1  
2 As well as issuing an assurance opinion the assurance providers may, depending on the terms of their  
3 engagement, also issue a report to management containing recommendations for future improvements,  
4 e.g. where their measurement methodologies may be refined and/or their procedures and controls  
5 relating to the measurement methodologies may be improved. The process of assurance may therefore  
6 be viewed as a valuable input to the process of continual improvement in GHG emission measurement  
7 and reduction. Whether assurance is undertaken for the purposes of internal review, public reporting or to  
8 certify conformance with a particular product GHG inventory program, it should likely contain useful  
9 information and guidance on how to improve and enhance a company's product GHG inventory  
10 accounting and reporting system.

11  
12 Similar to the process of selecting an assurance provider, those selected to be responsible for assessing  
13 and implementing responses to the assurance findings should also have the appropriate skills and  
14 understanding of product GHG inventory accounting and reporting issues.

15

## 12. Reporting

### 12.1. Requirements

A company shall publicly disclose the GHG inventory in the form of both a summary and detailed report. Both reports shall be disclosed together and be easily accessible by the public. Neither report shall be disclosed separately without reference to the other report. The summary report identifies key information and results, while the detailed report contains more information about the methodological assumptions and data used to calculate the inventory.

#### 12.1.1. Summary Report

A company shall publicly disclose a summary report that includes an introduction to the inventory, the process map of the studied product, a summary report template (as shown in **Table 12-1**), and a brief description on how the results should be used (i.e. to facilitate emission reductions). The introduction should give an overview of the inventory and state the goal of public disclosure. To avoid misuse of results, a company shall include a disclaimer to the audience (reader) identifying the difficulties in comparing results and referring the reader to additional information if needed.

##### Box 12-1: Example Disclaimer

*The results presented in this report are unique to the assumptions and practices of company X. The results are not meant as a platform for comparability to other companies and/or products. Even for similar products, differences in functional unit, use and end-of-life stage assumptions, and data quality may produce incomparable results. The reader is referred to the detailed report for more information on this study, and the GHG Protocol Product Standard for a glossary and additional insight into the GHG inventory process.*

Developing a process map is a requirement when a company is setting the boundary for the product system. At a minimum, the reported process map should make clear:

- The flow of a product (and product components) through its life cycle
- The life cycle stages considered in the study
- The general processing steps of a product

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Table 12-1: Summary Report Template

<i>Type of Inventory</i>		
<b>Final Product Full GHG Inventory (Cradle to Grave) OR Intermediate Product Partial GHG Inventory (Cradle to Gate)</b>		
<b>General Information</b>		
<i>Parameter</i>	<i>Description [Template Notes]</i>	
Company Name and Contact Information		
Product Name	[Material Product or Service, Brand Name if applicable]	
Product Description	[Brief product description including whether it is a final or intermediate product]	
Functional Unit (study basis)	[For Cradle-to-gate assessments, the boundary of the functional unit should be clearly stated – see Chapter 4]	
Temporal Boundary	[time span of the product life cycle – see Chapter 6]	
Country/Region of Product Consumption	[for Cradle to Grave assessments]	
Inventory Date and Version	[Year inventory was finalized] [1 if first inventory, 2,3 etc. for future versions]	
<b>Study Results: Total Product GHG Inventory</b>		
<i>Parameter</i>	<i>Value</i>	<i>Unit</i>
Total GHG Inventory	[Value]	[gram base unit <sup>1</sup> CO <sub>2</sub> e per Functional Unit]
<b>Study Results: Percent of Life Cycle Stage</b>		
<i>Stage Name</i>	<i>Value (Percent of Total CO<sub>2</sub>e)</i>	<i>Comments</i>
Raw Material Acquisition & Preprocessing	[Value]	[Brief description of inclusions and end points for each stage]
Production & Service Delivery		
Distribution & Storage		
Use <sup>2</sup>		
End-of-Life		
<b>Quality Assessment Information</b>		
Assurance Type	[External or Internal, Performed by Whom]	
Assurance Opinion	[Limited or Reasonable]	
Data Quality Assessment	[ Statement on Overall Data Quality]	

<sup>1</sup> Gram shall be the base unit reported with a logical prefix (kg, mg, etc.), as applicable.

3

4 The audience of the summary report may be most interested in what the company is doing, or plans to  
 5 do, to reduce GHG emissions as a result of the inventory. Additionally, the audience may be interested in  
 6 what they can do, as a user or consumer of the product, to reduce their impact on the inventory.  
 7 Therefore, a company shall provide some explanation on what steps will be taken to reduce emissions

1 based on the inventory results. If this is a subsequent report, a company shall provide an overview of any  
 2 reductions achieved. This should be brief and highlight key initiatives or results. Examples include:

- 3 - An overall reduction target based on the GHG inventory results
- 4 - A plan to focus reductions around a few key emission sources
- 5 - Information on how users/consumers can reduce key emission sources (i.e., reuse, following  
 6 manufacturer use instructions, purchasing green power, etc.)
- 7 - Overview of reductions based on a previous inventory, highlighting the most effective initiatives

8 At a minimum, if the company has not determined specific initiatives at the time the report is published, a  
 9 company should simply report that they will use the results to reduce emissions along the product life  
 10 cycle and supply chain.

11  
 12 In the following cases additional information may be required in the summary report/template:

- 13 - If the use or end-of-life stage includes carbon storage, that shall be reported separately (i.e.,  
 14 should not be included as a credit to either stage)
- 15 - If biogenic emissions associated with the combustion of renewable biomass materials occur  
 16 during the product life cycle, these emissions shall be reported separately from the inventory  
 17 results
- 18 - If a company cannot separate the raw material acquisition & preprocessing stage from the  
 19 production stage without facing confidentiality issues, they may combine the study results for  
 20 those stages only. It shall be clearly stated that confidentiality issues could not be avoided.
- 21 - A company who performs only internal assurance shall include a disclaimer in the summary  
 22 report stating the following: “The results presented in this report were assured internally and may  
 23 carry a lower degree of confidence than an independent assurance performed by an external  
 24 assurance provider”.
- 25 - If a company performs inventories on several products in the same product class or family using  
 26 the same functional unit, those results may be presented in a single report. It is important to note  
 27 that this does not mean several products are considered during one inventory, rather that several  
 28 inventories may be included in one report. An example includes a manufacturer who produces  
 29 the same quality of product in different packaging. For this case, the summary template shall  
 30 include additional comparisons of the included products; **Table 12-2** gives an example of these  
 31 results.

32  
 33 **Table 12-2: Example of Additional Results for a Report Including Several Similar Products**

Studied Product	Total Emissions [gram CO <sub>2</sub> e per Functional Unit]	Percent impact from Packaging
A	100	5%
B	75	3%
C	150	10%
D	85	4%

35  
 36 A case study, highlighting the use of the summary data template and the other elements of the summary  
 37 report, is included as guidance in **Section 12.3**.  
 38  
 39

## 12.1.2. Detailed Report

A company shall publicly disclose a detailed report that includes the following required elements. The required reporting elements for the detailed report were chosen as a balance between facilitating proper use of inventory results and achieving a practical level of reporting.

### Introduction

Following the summary report, a company shall report the following as an introduction to the detailed report:

- Disclosure of any sector specific sources used to influence decisions around methodology, boundary setting, allocation procedures, data use, etc.
- For subsequent inventories, a link to previous inventory reports and description of any methodological changes

### Boundary:

The boundary section shall include:

- A more detailed description of the process steps included and excluded than in the summary report (by way of a more detailed process map for example)
- Justification of the temporal boundary assumed (if the 100-year default value is not used)
- For cradle-to-gate inventories, justification as to why a cradle-to-grave inventory was not possible.
- Indication on whether capital goods were included in the product system and if excluded, details on how insignificance was determined

### Data and Quantification:

A transparent report of data quality and quantification shall include:

- An overview of the data collection process
  - o Percentage of primary data (based on total GHG inventory emissions)
  - o Disclosure of secondary data sources (databases, literature, etc.)
  - o A statement on completeness of data (i.e., percentage of proxy and extrapolations used to fill data gaps)
- Key drivers/emission sources that had the largest impact on the inventory
- For all cradle-to-grave inventories, the use profile and end-of-life profile assumptions including the emission factors and their source of each type of energy used during the use and end-of-life stage. The documentation shall include justification for why the selected approach was chosen to define the use and end-of-life profile.

The objective of this section is not to provide a complete list of all data origin and assumptions made (which should be assured and included in the company's data management plan) but rather to provide a summary of most relevant and material information that ultimately have an impact of the results and the quality of the assessment.

### Data Allocation and Recycling:

If allocation is necessary as part of data calculations performed under the ownership of the company (i.e. for processes where primary data was required), the company shall report:

- Why allocation could not be avoided
- The allocation method used
- Brief justification as to why that method was most accurate (i.e. based on natural science, following the general accounting principles)

1 If recycling is included in the end-of-life profile of a product, the company shall report:

- 2 - The type of recycling (closed-loop, de-facto closed-loop, open loop)
- 3 - Data used to determine recycling rates
- 4 - Method used to allocate recycling emissions and a brief justification as to why that method was
- 5 most accurate

## 6 **Results**

7 For a first-time inventory, no additional reporting elements are required for results outside of the summary  
8 template. However, a company may find it useful to elaborate on their reduction goals, as well as any  
9 inventory improvements (data quality, assurance option) they plan to pursue as a result of the inventory.

## 10 **Reporting Reductions (to be completed)**

### 11 **12.2. Guidance**

12 The overarching goal of producing a GHG inventory in conformance with the GHG Protocol Product  
13 Standard is to promote GHG emission reductions through increased public disclosure of product level  
14 GHG emissions. Reporting is central to achieving this goal, as well as any specific business goals a  
15 company may have for completing a GHG inventory. The specific goals of reporting under the standard  
16 are met by communicating the following:

- 17 - The absolute inventory of a product, information on the related break-down of the footprint,  
18 explicit identification of the product and the scope of the assessment, as supporting information  
19 for product differentiation
- 20 - Changes to the reported footprint that have occurred over time
- 21 - How the footprint might be reduced by organizations responsible for formation and end-of-life  
22 processing for the product, and how consumers of the product might reduce the footprint of the  
23 product through their actions
- 24 - Key points on methodological considerations for a report, and indication of the reliability of the  
25 reported figures for consideration by report users and decision makers

26 When reporting a GHG inventory, it is important to recognize that public disclosure does not mean there  
27 is one homogenous audience with a uniform set of requirements. **Table 12-3** lists some distinct  
28 audiences of the report, and also identifies the extent to which the needs of these audience types are  
29 intended to be addressed by the reporting requirements. This is not an inclusive list as audience types not  
30 identified here may still find value in reports produced following the reporting requirements in the  
31 Standard.

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Table 12-3: Audiences of a Publicly Disclosed GHG Inventory Report

Audience category/role	Audience description	Extent to which audiences needs should be met by the reporting requirements
General public	Lay person. No understanding or prior visibility of LCA/GHG Inventories may be assumed.	Fully
GHG Inventory / LCA practitioner	Practitioner wishing to use the footprint information as input to another study (e.g. direct cradle to gate or B2B, or proxy footprint for similar product)	Fully
Assurance Provider	Assessor performing third-party independent assurance of report	Partial
Report stakeholders	Suppliers, product-owning organization, report-commissioning organization	Partial
Sustainability / environmental practitioner	General interested party seeking to understand more about a specific product, a product sector, an industry sector, or other aspects of life-cycle emissions	Partial
Green professional purchasing	Professional purchasing decision-maker seeking differentiation across products	Partial
Environmental/Carbon Labeling Organizations	<i>(to be developed)</i>	Partial
Government Agencies	<i>(to be developed)</i>	Partial

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Considering this, two reports are defined; a summary report to meet the needs of the general public, and a detailed report to meet the needs of a GHG inventory/LCA practitioner. In addition, optional reported elements are included as guidance that a company may find necessary to report to meets the needs of their potential audience type and/or their specific business goals. These elements may be added to the summary or detailed report, depending on which audience may benefit from the additional information. The following list outlines some reporting elements a company may find useful:

- Additional business goals met by performing a GHG inventory (see **Chapter 1**)
- Additional background information on GHG inventories and how they are calculated
- Additional disclaimers around proper use of results
- SKU, NASIC code, UNSPSC code or other unique product/service identifier
- Additional details around why a particular functional unit was chosen
- The country (ies) where the raw material acquisition, production, and distribution stages occur
- A more detailed process map including product components, waste streams, energy flows, co-products, etc.
- Information on data collected from suppliers, including:
  - o Percent engagement from supply surveys
  - o Data collection techniques and sources
  - o Allocation procedures
  - o Data gaps

- 1 - Description of any known data variability or data uncertainty
- 2 - Additionally disaggregation of CO<sub>2</sub>e emissions. Examples include:
  - 3 ○ CO<sub>2</sub>e emissions reported as a fraction of all GHG components (i.e. grams of CO<sub>2</sub>, N<sub>2</sub>O,
  - 4 CH<sub>4</sub>, etc.)
  - 5 ○ For specific foreground processes
  - 6 ○ Attributed to product packaging
  - 7 ○ In relation to a company's perspective in the life cycle:
    - 8 ▪ Upstream emissions (i.e., emissions from processes that occur in the life cycle of
    - 9 the product prior to the reporting entity's operations)
    - 10 ▪ Reporting entity emissions (i.e., emissions from processes that are owned or
    - 11 controlled by the reporting entity)
    - 12 ▪ Downstream emissions (i.e., emissions from processes that occur in the life cycle
    - 13 of the product subsequent to the reporting entity's operations, including
    - 14 emissions from product use and disposal)
- 15 - If a company purchases offsets, these offsets may be reported **separately** from the inventory
- 16 results in the detailed report, with a clear statement that offset emissions are not calculated in
- 17 conformance with the Standard. It is important to note that emission credits from offsets should
- 18 not be applied directly to the inventory results.
- 19 - Additional guidance on how the results should be used (by both the company and the user)
- 20 - Detailed reduction plans for future inventories

### 21 12.2.1. Reporting Reductions *(to be further developed)*

22 A company is encouraged to repeat a product inventory and report reductions every 2-3 years. This  
23 section will include guidance on how a company should report reductions based on the guidance in  
24 **Chapter 13** (to be completed).  
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## 26 12.3. Example Summary Report

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28 The objective of this case study is to provide an illustrative example of a summary report based on a real  
29 GHG inventory. This example is meant to illustrate a) the usefulness of fulfilling the reporting  
30 requirements and b) the level of effort required. The reported results are derived from the Life Cycle  
31 Carbon footprint National Geographic Magazine study conducted for National Geographic Society (NGS)  
32 in 2009 prior to the development of this standard. Therefore, the following case study is based on factual  
33 information with some fabrications added to conform to the specific requirements of the standard.  
34 Optional information is included here to highlight how optional information may be used by incorporating  
35 additional information that NGS found useful to report.

### 36 Introduction

37 This GHG inventory was conducted for National Geographic Society following the GHG Protocol Product  
38 Standard. It evaluates the amount of greenhouse gas (GHG) emissions generated during the life cycle of  
39 a National Geographic magazine from the creation of the content, forestry operations and papermaking,  
40 printing and binding manufacturing, mailing and distribution to the recycling or disposal phase of the  
41 magazine. The goal of this report is to publicly disclose GHG inventory results in conformance with the  
42 GHG Protocol product standard.  
43

44 Disclaimer: The study is specific to the National Geographic Magazine, the magazine supply chain, and  
45 distribution of the magazine. The study does not make comparative assertions about other magazines or



1 products. The results presented here are not meant to be compared to other companies and/or products.  
2 Even for similar products, differences in functional unit, use and end-of-life stage assumptions, and data  
3 collection and quality may produce incomparable results. The reader is referred to the detailed report for  
4 more information on this study, and the Greenhouse Gas Protocol Product Standard for a glossary and  
5 additional insight into the GHG inventory process.

6  
7 **Box 12-2: Optional Information Included in the Summary**

8 **Background on GHG inventories:**

9 Product life cycle carbon footprints or greenhouse gas (GHG) inventories are increasingly being used to  
10 convey to customers and the public the potential contribution of a product to climate change, a global  
11 concern. Additionally, companies are using results of these studies to make operating, manufacturing,  
12 and supply chain decisions, as well as decisions for purchasing renewable energy certificates (RECs) or  
13 carbon offsets. To calculate a carbon footprint, emission quantities of individual greenhouse gases (GHG)  
14 are converted to the measurement of carbon dioxide equivalents (CO<sub>2</sub> equivalents) using the  
15 Intergovernmental Panel on Climate Change (IPCC) 100-year Global Warming Potential (GWP) 1996  
16 factors. This allows the potential effect on climate change from different activities to be evaluated on a  
17 common basis.

18  
19 **Additional Goals of NGS:**

20 The results of this study will aid NGS in making decisions to reduce and/or offset GHG emissions  
21 associated with the life cycle of the magazine, as well as provide information that NGS may share with  
22 subscribers or other interested persons.

23  
24 **Additional Disclaimers around Presented Results/Data Quality:**

25 The conclusions presented in this report are professional opinions, based solely upon information  
26 obtained from others and interpretation of documents prepared by others. Total GWP results have an  
27 estimated uncertainty of plus or minus 25%. This means that it is likely that other LCI practitioners, using  
28 the same data sources to do the same study, would find that the life cycle of the National Geographic  
29 magazine produces between 0.6 to 1.0 kg of carbon dioxide equivalents per magazine.

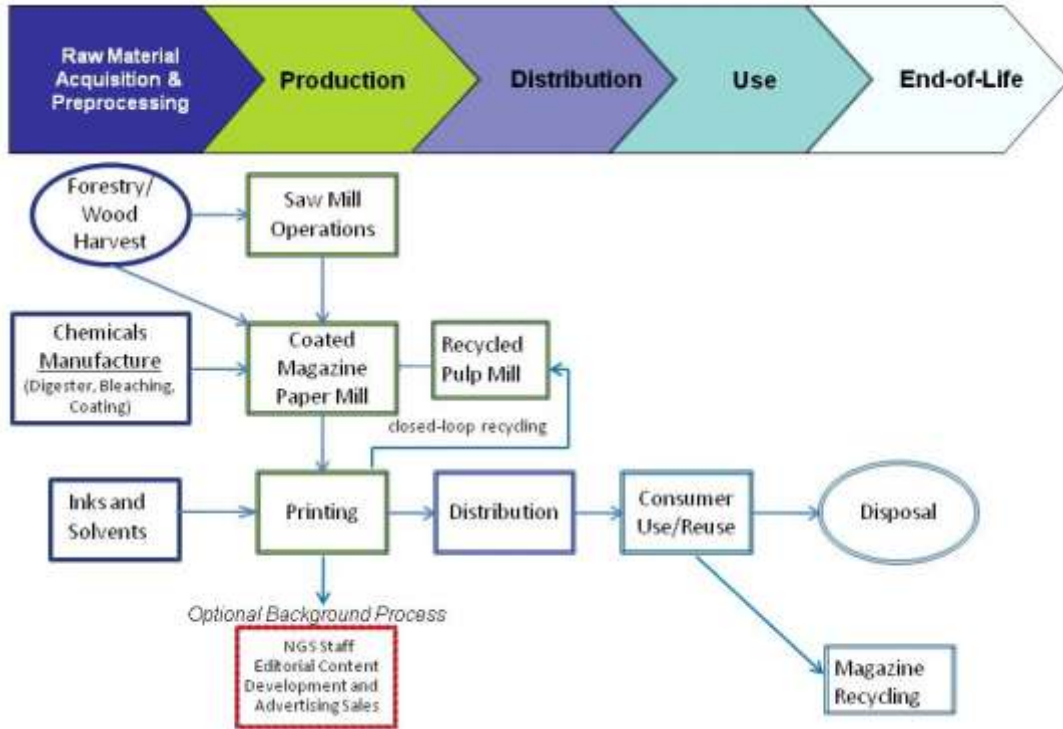
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31 Neither NGS, nor any employee of NGS : (a) makes any warranty or representation whatsoever, express  
32 or implied, (i) with respect to the use of any information, method, process, or similar item disclosed in this  
33 document, including merchantability and fitness for a particular purpose or (ii) that this document is  
34 suitable to any particular user's circumstance; or (b) assumes responsibility for any damages or other  
35 liability whatsoever resulting from your selection or use of this document or any information, method,  
36 process, or similar item disclosed in this document.

37 **Product Process Map**

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39 The product system modeled is the life cycle of National Geographic magazines, beginning with forestry  
40 operations and waste paper acquisition and ending with final disposal of magazines. **Figure 12-1** is a  
41 simplified illustration of the boundaries and material flows for the system.

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Figure 12-1: NGS Process Map



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## Summary

Type of Inventory		
Cradle to Grave Full Inventory of National Geographic Magazines (Final Product)		
General Information		
Parameter	Description	
Company Name and Contact Information	National Geographic Society (NGS) Contact: Jane Doe, JaneDoe123@ngs.org	
Product Name	National Geographic (NG) magazines	
Product Description	NG magazines (English version) produced in the US and sold globally (average weight of 0.35 kg per magazine and 5% of recycled fibers content in 2008). NG magazines are a final product.	
Functional Unit (study basis)	1000 kg of NG magazines delivered to consumers globally equivalent to 2860 copies	
Temporal Boundary	1 year	
Country/Region of Product Consumption	Production and printing of NG magazines in the US and delivery in the US/Canada and to the rest of the world	
Inventory Date and Version	First Inventory completed in 2009 (Note: date reflects inventory completion, not the date of all collected data. The most recent data available were used, mainly 2008 and 2007)	
Study Results: Total Product GHG Inventory		
Parameter	Value [Template Notes]	Unit
Total GHG Inventory	2 370	kg CO <sub>2</sub> e per 1000 kg magazines (functional unit)
Study Results: Percent of Life Cycle Stage		
Stage Name	Value (Percent of Total CO <sub>2</sub> e)	Comments
Raw Material Acquisition & Preprocessing	70%	Includes forestry operations, harvesting trees, producing coated paper, chemicals production and use, as well as use of recycled fibers
Production	27%	Includes printing operations, solvents and ink manufacturing as well as NGS staff activities
Distribution & Storage	5%	Includes packaging production, transport by USPS and other carriers
Use	0%	Assumes no emissions due to the use of the magazine
End-of-Life	-2%	Includes waste collection emissions and end of life credits due to the sequestration of carbon by disposal of magazines into landfills and production of energy at incinerators
Quality Assessment Information		
Parameter	Description	
Assurance Type	External review at Assurance Firm X	
Assurance Opinion	Limited review	
Data Quality Assessment	NGS concludes that the overall inventory data quality is satisfactory*	

3 \* Definition of “satisfactory” still under development in the Standard

1 **Use of results**

2 The GHG inventory showed that 96 % of the emissions from 1000 kg of NG magazines were from  
3 suppliers, with 70% being from paper manufacturing and 26 % from printing and binding. NGS found that  
4 only 4 % of the emissions were caused by their own operations. To reduce emissions created by NGS,  
5 they have implemented the following:

- 6 • Switching to wind-powered electricity to power office buildings
- 7 • Made a commitment to reduce energy consumption by 10 % over the next five years

8 Additionally, NGS is engaging with their suppliers to encourage:

- 9 • Switching to some renewable energy in their operations
- 10 • Investing in the renewable energy capacity
- 11 • Efficient shipping.

12 Finally the overall goal of NGS is to use the carbon emissions data identified through the GHG inventory  
13 to find ways to take carbon emissions out of the system. They are confident that it is not only possible, but  
14 that it should reduce costs in the long term.

15

1 **13. Accounting for GHG Emission Reductions (to be**  
2 **completed)**

3 This chapter will include guidance on how a company can use the GHG inventory results to set reduction  
4 goals, account for reduction activities, and track reduction performance.

5

## Appendix A: Data Management Plan

A data management plan outlines the relevant information for a specific product GHG inventory and the internal quality assurance and quality control (QA/QC) processes established to oversee the preparation of an inventory from its inception through to final reporting. Companies may already have similar procedures in place for other data collection efforts such as meeting ISO standards or corporate GHG accounting requirements. Where possible, these processes should be aligned to reduce data management burdens.

The quality control aspect of the data management plan outlines a system of routine technical activities to determine and control the quality of the product GHG inventory development. The purpose is to ensure that the product GHG account does not contain misstatements and conforms to relevant standards or guidelines, including identifying and reducing errors and omissions; providing routine checks to maximize consistency in the accounting process; and facilitating internal and external inventory review and assurance .

The quality assurance aspect of the data management plan contains the review of procedures conducted by personnel not directly involved in developing the product GHG inventory. This review is to determine the quality of the data; reduce or eliminate any inherent error or bias in the process used to develop the inventory; and assess the effectiveness of the internal quality control procedures.

As part of best-practice, data management plans are established and made available to assurance providers (whether internal or external) for any publicly-disclosed product GHG inventory.

At a minimum the data management plans should contain:

- Description of the relevant product (and/or functional unit) for the GHG account.
- Entity(ies) or person(s) responsible for measurement and data collection procedures.
- All information that describes the product's system boundary
- Criteria used to determine when a product inventory is re-evaluated
- Data collection procedures
- Data sources and their quality for each process where a data quality assessment was undertaken.
- Calculation methodologies for each process where a data quality assessment was undertaken. Where secondary data was used and the corresponding methodology used to derive the data is not available, this shall also be stated.
- Length of time the data should be archived.
- Data transmission, storage and backup procedures.
- All QA/QC procedures for data collection, input and handling activities, data documentation and emissions calculations.

The process of setting up a data management system should involve establishing protocols to address all the data management activities, including the quality control and quality assurance aspects of developing a GHG product inventory.

### Implementing a Data Management Plan

To implement a data management plan, the following steps should be undertaken.

1. *Establish a product accounting quality person/team.* This person/team should be responsible for implementing the data management plan, continually improving the quality of product inventories, and coordinating internal data exchanges and any external interactions (such as with relevant product accounting programs and verifiers). The person/team may be newly established or an existing quality control team that is given additional responsibilities. The person/team may be responsible for all product inventories undertaken by a company or for an individual product inventory.

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2. *Develop Data Management Plan.* For publicly-disclosed product accounts the plan should cover the components outlined in the standards section above (see **Table A-1**). Other components that should be outlined in the data management plan but are not required to be made available for assurance include data storage and QA/QC procedures for data collection, input and handling activities, data documentation and emissions calculations. Recording this information should assist with repeat product inventories and the quality of the current product inventory. It is also good-practice for all inventories developed for internal company purposes (e.g., performance tracking) to specify a data management plan with similar content and rigor as publicly-disclosed product inventories.

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Development of the data management plan should begin before any data is collected to ensure all relevant information is documented. The plan should evolve over time as data collection and processes are refined.

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3. *Perform generic data quality checks based on data management plan.* Checks should be applied to all aspects in the inventory, focusing on data quality, data handling, documentation, and calculation procedures (see **Table A-2** for data control activities).
  4. *Perform specific data quality checks.* More in-depth checks should be made for those sources, process and/or activities that are major contributors to the product inventory and/or have high levels of uncertainty (see Collecting Data chapter section on assessing uncertainty).
  5. *Review final product GHG inventory and reports.* Review procedures should be established that match the purpose of the inventory and the type of assurance the inventory may be exposed to. Internal review processes (self-assurance), independent third-party or accredited third-party assurance may be used for both internal uses or publicly disclosed product inventory (see **Chapter 11** for what these reviews entail). Internal reviews should be undertaken by the appropriate department within a company, such as an internal audit or accounting department.
  6. *Establish formal feedback loops to improve data collection, handling and documentation processes.* Feedback loops are needed to improve the quality of the product inventory over time and to correct any errors or inconsistencies identified in the review process.
  7. *Establish reporting, documentation and archiving procedures.* This establishes the record-keeping processes for what and how data should be stored over time; what data should be reported as part of an internal inventory report; how data should be reported to conform with a publicly-disclosed inventory; and what should be documented to support data collection and calculation methodologies. It may also involve aligning or developing any relevant database systems for record keeping. Systems may take time to develop and it is important to ensure that all relevant information is collected prior to the establishment of the system and then transferred to the system once it is operational.

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The data management plan is likely to be an evolving document that is updated as data quality improves, internal data collection and handling procedures are refined, calculation methodologies improve, product inventory responsibilities change within a company or the purpose of the product inventory changes (e.g., from an internally used account to a publicly disclosed account).

**Table A-1: Components of a Data Management Plan**

Component	Information	Rationale
<b>Responsibilities</b>	Name and contact details of persons responsible for: <ul style="list-style-type: none"> <li>• overall management of product inventory</li> <li>• data collection for each process</li> </ul>	This ensures institutional knowledge is maintained and allows relevant person(s) to be identified for: <ul style="list-style-type: none"> <li>• confirming and checking information during any internal or external audit procedures</li> <li>• producing consistent future product inventory.</li> </ul>

**REVIEW DRAFT FOR STAKEHOLDER ADVISORY GROUP – NOVEMBER 2009**

	<ul style="list-style-type: none"> <li>• internal audit procedures</li> <li>• external audit procedures</li> </ul>	
<b>Product</b>	Description of the product and/or functional unit	To provide auditors and those doing future product inventories information on the product/functional unit, which puts the rest of the information in context.
<b>System boundary</b>	<ul style="list-style-type: none"> <li>• System boundary description</li> <li>• How the boundary was derived</li> <li>• Emissions sources included in the inventory (including those sources considered but not included and the rationale for exclusion)</li> <li>• Allocation methodologies use and where they were used</li> </ul>	To provide auditors and those doing future product inventories sufficient information to understand and replicate boundary decisions.
<b>Data</b>	<ul style="list-style-type: none"> <li>• Data collection procedures, including data sources for each process (including any relevant references) and procedure used to fill any data gaps</li> <li>• Quality of data collected for each process and how the data quality assessment was undertaken</li> <li>• Data sources where better quality data is preferable and plan for how to improve that data</li> <li>• Information on how the product use profile was obtained</li> <li>• Criteria used to determine when an inventory is to be re-evaluated, including the relevant information and changes to the system to be tracked over time and how these changes should be tracked</li> </ul>	<ul style="list-style-type: none"> <li>• Records all data sources and allows others to locate data sources (for audit or future product inventories). Also provides information on what suppliers have been approached for data.</li> <li>• Enables data quality to be tracked over time and improved</li> <li>• Identifies where data sources should be improved over time (e.g., needed emissions for laptop computer but could only obtain desktop computer information), including those suppliers who were asked to provide data and those that were not</li> <li>• Allows auditor and those doing future inventories sufficient information on how the use profile was developed, and identifies how this information may be improved</li> <li>• This allows data and information sources to be tracked and compared overtime. It may also involve identifying a system (e.g., document tracking and identification system) to ensure data and information is easily located and under what conditions this information/data was used or collected</li> </ul>
<b>Calculating emissions</b>	<ul style="list-style-type: none"> <li>• Calculation methodologies used (and references). This include where the calculation methodology for any secondary data used was not available.</li> <li>• Changes in calculation methodologies over time</li> </ul>	<ul style="list-style-type: none"> <li>• Provides auditors and those doing future product inventories details on how emissions were calculated</li> <li>• Noting methodological changes should allow discrepancies between product inventory to be</li> </ul>



		checked and ensure that recorded methodologies are kept current
<b>Data Storage</b>	<ul style="list-style-type: none"> <li>• How and where data is stored</li> <li>• Length of time data is archived for</li> <li>• Backup procedures</li> </ul>	<ul style="list-style-type: none"> <li>• allows information to be easily located</li> <li>• keeps a record of how long information is stored so don't expend energy looking for information that is no longer kept</li> <li>• ensures backup procedures are implemented</li> </ul>
<b>QA/QC</b>	See Table 2 for more details	Ensures that adequate processes are in place to check data collection, input and handling, data documentation, and emissions calculations.

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**Table A-2: Data Control Activities**

<b>Activity</b>	<b>Procedure</b>
<b><i>Data collection, input and handling activities</i></b>	
<b>Transcription errors in primary activity data and secondary data</b>	<ul style="list-style-type: none"> <li>• Check a sample of input data in each process (both direct measures and calculated estimations) for transcription errors</li> </ul>
<b>Uncertainty estimates</b>	<ul style="list-style-type: none"> <li>• Check qualification of individuals providing expert judgment or uncertainty estimates are appropriate and are recorded</li> <li>• Check that the calculated uncertainties are complete and calculated correctly</li> </ul>
<b><i>Data Documentation</i></b>	
<b>Transcription errors in references and storage of all references used</b>	<ul style="list-style-type: none"> <li>• Confirm bibliographical data references are properly cited</li> <li>• Ensure all relevant references are archived</li> </ul>
<b>Storing information on data and data quality</b>	<ul style="list-style-type: none"> <li>• Check that system boundary, product base year (if relevant), GHGs included, allocation methodology uses, data sources and any relevant assumptions are documented and archived</li> <li>• Check that all data quality indicators are described, documented and archived for each process and the overall product account</li> <li>• Check for consistency in the use of the same or similar data sources between different processes</li> <li>• Check for consistency in emissions sources and data sources to similar product inventories</li> </ul>
<b>Recording parameter and unit information</b>	<ul style="list-style-type: none"> <li>• Check that all units are appropriately labeled in calculation sheets</li> <li>• Check all units are correctly transferred through all calculations and aggregation of emissions in all processes</li> <li>• Check conversion factors are correct</li> <li>• Check any temporal or spatial adjustment factors are appropriate and correctly used</li> </ul>
<b>Recording calculation methodologies</b>	<ul style="list-style-type: none"> <li>• Check that all calculation methodologies are documented</li> <li>• Check that any changes to calculation methodologies between product inventories are documented</li> </ul>
<b>Database/calculation sheet integrity</b>	<ul style="list-style-type: none"> <li>• Check that the appropriate processing steps are correctly represented in database or calculation sheets</li> <li>• Ensure all fields and their units are labeled in</li> </ul>

	<p>database/calculation sheet</p> <ul style="list-style-type: none"> <li>• Ensure database/calculation sheet is documented and the structure and operating details of the database/calculations sheets are archived</li> </ul>
<b>Review of internal documentation and archiving</b>	<ul style="list-style-type: none"> <li>• Check there is sufficient internal documentation to support the estimates and enable the reproduction of the emissions and uncertainty estimations</li> <li>• Check all data, supporting data and records are archived and stored to facilitate a detailed review</li> <li>• Check that the archive is securely stored</li> </ul>
<b><i>Calculating emissions and checking calculations</i></b>	
<b>Aggregation of emissions</b>	<ul style="list-style-type: none"> <li>• Ensure that the aggregation of emissions from all processes is correct</li> </ul>
<b>Emissions trends</b>	<ul style="list-style-type: none"> <li>• Where possible compare emissions from each process (or total product emissions) to previous estimates. If significant departures, check data inputs, assumptions and calculation methodologies</li> <li>• Where possible compare material and energy purchases for each process (or in total) against generic industry-averages</li> </ul>
<b>Calculation methodology(ies)</b>	<ul style="list-style-type: none"> <li>• Reproduce a sample set of emissions and removals calculations to cross-check application of calculation methodologies</li> <li>• Where possible, cross-check calculation methodologies used against more or less complex methodologies to ensure similar results are achieved</li> </ul>

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The quality assurance aspect of the data management plan involves peer review and audits to assess the quality of the inventory. Peer review involves reviewing the documentation of the product accounting methodology and results but does not rigorously review the data used or the references. Peer review is conducted by someone not involved in the development of the product account. The audit evaluates whether the inventory complies with the quality control specifications outlined in the data management plan. More information on the assurance process is found in **Chapter 11**.

## Appendix B: Additional Guidance on Collecting and Calculating Data

### ***Land Use and Land Use Change Emissions***

*(Note to reviewers: this section is still under review of the technical working group and is subject to change. Any comments you have on the text as written will help us to continue our editing of this guidance)*

GHG emissions and sinks associated with land use and land use changes are much less understood as compared to GHG emissions from fossil fuel combustion. Land use change may, however, substantially contribute to greenhouse gas emissions over the life-cycle of a product. While fossil fuel combustion is currently the dominant source of atmospheric carbon emissions, land use change still plays a significant role in total net carbon emission, contributing about 2 Pg C per year (Houghton, 1999).

If land is used to cultivate biomass for use in a land-based product, GHG emission associated with land management and land use change shall be included in the product GHG inventory. If traced back to their true raw materials, all products are extracted from the land. However, some products rely heavily on the type and quality of land from which they are extracted or harvested, which in turn may have a large impact on the overall GHG inventory. A rule of thumb for complex products is to consider whether one or more of the main product components are directly extracted from land; if so, the product is considered land-based.

#### **Accounting for Emissions**

Land use change is generally a one-time occurrence where a plot of land is converted from its natural category to a managed category as a result of demand for land-based products. If these changes occurred in the past, it may be difficult to determine what emissions should be allocated to the current land use. In this standard, all land use change that occurred less than 20 years from the time of the inventory shall be allocated to the studied product. This default value is based on the amortization period, which is derived from the average length of time carbon stocks equilibrate after a land use change. If sector or category-specific data becomes available through sector-specific or program guidance that suggests a more appropriate time frame for land use change assessment, that date should be used and the source should be references.

#### **Identifying Data Availability**

As with all data, the best practice is for companies to contact their suppliers for good quality primary data (see **Chapter 7** for more information). With land use, this would include getting information about the location of the land, the type of management practices used, when land use change occurred, and from what category the land was converted. However, companies who purchase the land-based products upstream from their production may have little to no information about the land where the product originated.

#### ***All Information Available***

If a company knows the specifics of the land from which their product originates, the amortization period should be used to identify if land use change impacts need to be considered (as defined above), and to determine how to allocate land use change impacts. Due to the fact that emissions peak just after the land use change event and then progressively decline, the most accurate approach would be to give a measured / calculated value for each year after a land use change. However, for practical reasons it is common to evenly allocate the total emissions over a period of time by the use of an amortization period. For this standard an amortization period of 20 years is used. Therefore, a company shall account for

1 1/20<sup>th</sup> of the total land use change emissions for each year of production within a 20 year period.  
2 However, this technique should only be used if a company knows:

- 3 - The country of origin
- 4 - The specific farm/ forest / land from which its product originates
- 5 - How long the product of interest has been cultivated on that area of land
- 6 - If the length of time is less than 20 years, the land category of the land before conversion

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8 *Consideration of LUC emissions if limited information is available*

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10 If a company only has limited information available about the source of biomass, an amortization period is  
11 not applicable to determine the inclusion of land use change impacts. In these cases where it is not  
12 known whether, when and to which extend, land use change has taken place, the following sources  
13 should be used to calculate a good estimate:

- 14 - international statistics
- 15 - country / regional specific statistical databases
- 16 - statistical year books

17 These sources give information about the country profiles, especially the agricultural sector of a  
18 respective country (i.e. they show the land occupation of the main crops planted in a specific country for  
19 different years). Therefore information about the total land allocation of a country and its change during  
20 the years may be deduced.

21  
22 Proceeding step by step in order to estimate the land use change of a product (i.e., a specific crop):

- 23  
24 1. Use a global/country profile to determine the total agricultural statistics over a 20 year time period  
25 or the length of time where data is available. If the country is not known, chose the country where  
26 the majority of the crop is produced. If that is not possible, the company may look to global crop  
27 growth.
- 28 2. Using the statistics located in step 1, a company should identify:
  - 29 - The change in land occupation of the studied crop over a 20 year time period or the length of  
30 time where data is available
  - 31 - The change in land occupation of other major crops over a 20 year time period or the length  
32 of time where data is available.
- 33 3. Using the above data, a company may determine whether there was an augmentation of the area  
34 harvested for the studied crop (i.e. whether they need to account for land use change) by using  
35 the following guidelines
  - 36 - When the acres of the studied crop and/or total acres occupied in a country decreases or  
37 stays the same over a certain time period, it may be assumed that no land use change took  
38 place.
  - 39 - When there is an augmentation of the studied crop over a certain time period, and other  
40 major crops show a decrease for the same time period → it is assumed, that no land use  
41 change took place. The crop under investigation is grown on land available from crops  
42 showing decreasing areas harvested.
  - 43 - When there is an augmentation over a certain time period and other major crops **do not**  
44 show a significant decrease for the same time period → it is assumed, that land use change  
45 took place. The crop under investigation is grown on land cleared to a certain extend. The  
46 “delta” is calculated.
- 47 4. If land use change has taken place, a company should use the statistics to determine the change in  
48 land and a percentage of impacts. For example, if a crop that is produced annually shows a 50%  
49 increase in land use over the past 20 years, than a company should assume that 50% of their crop

1 attributed to land use change. 1/20<sup>th</sup> of the GHG emissions associated with the 50 % land use change  
2 should be charged to the product for each year of the inventory.

3 The methodology presented here is focused around crop production, but the same technique can be used  
4 for wood products and managed forests. It is important to note that the methodology above should only  
5 be used as a last resort if there is no data specific to the product. Since the methodology is based on  
6 statistics, the results are very much dependent on the quality of the statistical databases used. If a  
7 company cannot perform the above methodology, they should refer to the default considerations for  
8 incorporating land use change given in PAS 2050 (*to be elaborated*). Any justification for land use change  
9 shall be clearly reported in the GHG inventory.

10 **Box B-1: Example: Determining Land Use Change Impact of Palm Oil Grown in Malaysia with Limited**  
11 **Information (to be completed)**

12  
13 **Guidance on Calculating Land Use Emissions**

14  
15 When calculating land use change emissions, the following categories of emissions should be  
16 considered:

- 17 - Emissions that result from a land use change event (i.e., fossil fuel used in the land use change  
18 process to remove biomass)
- 19 - Biogenic emissions and removals from the three carbon pools; biomass (above ground and below  
20 ground), soil carbon, and dead organic matter
- 21 - Non –CO<sub>2</sub> GHG emissions due to biomass burning

22  
23 If primary data is not available, the company should use the equations and/or default emission factors  
24 provided in the most recent IPCC Guidelines (cited above). In some cases, emissions from dead organic  
25 matter are not accounted for based on the small impact it has on the overall GHG emissions (i.e. with a  
26 large forest) and the uncertainty associated with calculating the amount of dead organic matter present.  
27 A company collecting primary data should refer to IPCC guidelines for indication as to whether dead  
28 organic matter is significant for their land use change event (Table 1.2, Volume 4, 2006 IPCC Guidelines).  
29 The tier 1 default factors given in the IPCC do not include fossil fuel use during the land change event;  
30 therefore, those should need to be calculated separately using secondary data.

31  
32 If a company knows that the land use change event did not result in burning of the residual biomass but  
33 produced co-products (e.g. use of timber removed during deforestation to create paper), the company  
34 may chose to allocate some of the land use change emissions to the intermediary product (i.e. paper in  
35 this case). Allocation procedures are defined in **Chapter 8**. However, a company should be able to justify  
36 and report the direct use of that co-product; for example, a company should not just assume that all  
37 timber was used in a product but rather prove that the exact land where the change occurred produced X  
38 amount of timber for X tons of paper. This level of detail around a land use change event is rarely known;  
39 therefore, it is assumed that most companies should assume the default assumption that the residual  
40 biomass was burned.

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42 **Definitions of different land categories (from the UNFCCC):**

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| <ul style="list-style-type: none"><li>43 - Forest is a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent<br/>44 stocking level) of more than 1030 per cent with trees with the potential to reach a minimum height<br/>45 of 25 metres at maturity in situ. A forest may consist of either closed forest formations where<br/>46 trees of various storeys and undergrowth cover a high proportion of the ground or open forest.<br/>47 Young natural stands and all plantations which have yet to reach a crown density of 1030 per<br/>48 cent or tree height of 25 metres are included under forest, as are areas normally forming part of<br/>49 the forest area which are temporarily unstocked as a result of human intervention such as<br/>50 harvesting or natural causes but which are expected to revert to forest;</li><li>51 - Forest land includes all land with woody vegetation which falls under the definition of forest;</li><li>52 - Cropland includes all arable and tillage land as well as agroforestry systems which do not fall<br/>53 under the category of forest land;</li></ul> |
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- Grassland includes [all] rangeland and pasture land as well as agroforestry systems which do not fall under the categories of forest land and cropland;
- Wetlands includes land that is covered or saturated by water for all or part of the year, such as peatland, and which does not fall under the forest land, cropland, grassland or settlements categories;
- Settlements includes all developed land, including transportation infrastructure and human settlements of any size, which does not fall under the forest land, cropland, grassland or wetlands categories;
- Other land includes bare soil, rock, ice and all land areas which do not fall under the forest land, cropland, grassland, wetlands or settlements categories.

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***Electricity Emission Factors (to be completed)***

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***Capital Goods (to be completed)***

1 **Appendix C: Product Comparisons *(to be completed)***

2 This section will include guidance on how programs, developers, and organizations should apply  
3 additional constraints to the Standard requirements so that valid assertions and claims can be made.  
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5 **Appendix D: Life Cycle Databases *(to be completed)***

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## Appendix E: Glossary

Term	Definition
Accuracy (principle)	Ensure that reported GHG emissions are not consistently greater than or less than actual emissions and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the reliability of the reported information. Clearly explain any estimates and avoid bias so that the report faithfully represents what it purports to represent. (2)
Assurance	An objective assessment of the accuracy, completeness and presentation of a reported product GHG inventory and the conformity of the product GHG inventory to the Standard designed to enhance the degree of confidence of the intended users. (11.1)
Assurance Opinion/Conclusion	A formal written declaration prepared by the assurance provider addressed to the intended user(s) which concludes, based on their assurance procedures on whether, in their opinion, the GHG inventory is fairly stated in accordance with the criteria, to the extent of the level of assurance sought. (11)
Assurance Providers	Competent and independent person, or persons, with responsibility for performing and reporting on the assurance process. (11)
Attributional Approach to GHG Accounting	Accounting approach that provides information about the GHG emitted directly by a product and its life cycle. (4.1)
Audit Trail	Well organized and transparent historical records documenting how the GHG inventory was compiled. (11.3.6)
Avoided Burden	Type of system expansion that avoids allocation by including in the product system the emissions associated with the co-product produced by a similar process. (8.2)
Background Processes	Processes that are not directly connected to the product or its components. Background processes include facility operations, corporate activities, and capital goods. (6.2)
Business Goal	Refers to the high level purpose that a product GHG inventory serves. (1.3.1)
Calculated Data	When activity data are collected at the production site and an emissions factors are used to determine the GHG emissions. (7.2.2)
Closed-loop recycling	Recycling system where all of the recycled material returns to the system under study. (8.3.4)
Comparative Assertion	An environmental claim regarding the superiority or equivalence of one product versus a competing product that performs the same function. This standard does not directly enable comparative assertion. (1.2) Source: ISO 14040



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Completeness (principle)	Ensure that the GHG report covers all product life cycle emissions within the specified boundaries (including temporal), state clearly any life cycle stages or significant non-GHG environmental impacts that have been excluded and justify these exclusions. (2)
Completeness (data quality indicator)	The degree to which the data represents the relevant process. The percentage of locations for which site specific or generic process data are available and used out of the total number that relate to a specific product or process. Generally, a percent target is identified for the number of sites from which data that is collected for each process. (9.2.2)
Complex Products	Products with many and/or complicated physical or service components and processes, as part of their lifecycle. They are also likely to have both highly complicated and complex product systems. (8.2.5)
Consequential Approach to GHG Accounting	Accounting approach that provides information about the GHG emitted, directly or indirectly, as a consequence of changes in demand for the product. This approach typically describes changes in GHG emissions levels from affected processes, which are identified by linking causes with effects. (4.1)
Consistency (principle)	Use methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods, or other relevant factors in the time series. (2)
Co-Products	Products produced in the product system under study but are used in other product systems. (8.1)
Corporate Activities	Activities that are done by a company to better both the company branding and the products they sell. (6.3.6)
Cradle-to-Grave Assessment	An assessment that includes all GHG emissions in the complete life cycle of a product from the beginning of the life cycle (e.g. raw material extraction) through final disposal or end use by the end consumer. (6.3.4)
Customer	An entity that purchases, rents, or uses the products of another entity (i.e., a supplier).
Data Quality	The characteristics of data for satisfying stated requirements. Generally data quality characteristics address how well the data corresponds to the time, geography and technology represented in the product inventory, the precision of any direct measurements, the completeness of processes represented in the inventory and the consistency of data across processes in the inventory. (9.2)
Direct Land Use Change	Refers to the conversion of unmanaged to managed land to directly produce a land-based product. (6.3.1)
Emission Factors	An emission factor is the GHG emissions per unit of activity. (7.2.2)
End-of-Life Stage	Stage from when the used product is ready for disposal, recycling, reuse, etc. to when the product is buried, returns to nature (combustion, deterioration), or transformed to be recycled or reused. (6.3)
Estimated Data	Where GHG emissions are available, but cover the whole production site and need to be disaggregated to a specific process/product. (7.2.2)

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Extrapolated Data	Data that could come in the form of any of the above data types and involves customizing an existing dataset to a new situation, e.g., using data from the same product type and customizing the data to then relevant region, technology, process, and/or temporal period. (7.2.1)
Final Product	Products that are ultimately consumed by the end user rather than used in the production of another product. Final goods enter the use phase in its current form without further transformation. (6.3.4)
First Party ("Self" or "Internal") Assurance	Assurance provided by persons from within the organization but independent of the product GHG inventory determination process. (11.2)
Foreground Processes	Processes that are directly connected over the product's life cycle by material or energy flows, from extraction and pre-processing of product components through to the product's end-of-life. (6.2)
Functional Unit	The quantified performance of a product system for use as a reference unit. (3.1) Source: ISO 14044:2006
Geographical representativeness (data quality indicator)	Degree to which the data set reflects the true population of interest regarding geography such as e.g. country or site, including any background data sets used. (9.2.2)
GHG Emission Source	Any physical unit or process which releases GHG into the atmosphere.
Global Warming Potentials	GWP is a metric used to describe the radiative characteristics of well mixed greenhouse gases which combine the effects of the differing times GHGs remain in the atmosphere and their relative effectiveness in absorbing outgoing infrared radiation. (10.1) Source: IPCC
Indirect Land Use Change	Occurs when a change in direct land use causes displacement of land categories on other lands (beyond the direct land use for the product). This displacement is a result of market forces and marginal impacts and is therefore consistent with a consequential modeling approach and not considered within this standard (although may be applicable for certain products based on category or sector specific guidance). (6.3.1)
Input-Output Data	Non-process data derived from environmentally extended input-output analysis (IOA), which is the method of allocating GHG emissions (or other environmental impacts) associated with upstream production processes to groups of finished products by means of inter-industry transactions. The main data sources for IOA are sectoral economic and environmental accounts. Economic accounts are compiled by a survey of facilities on economic inputs and outputs and tax data from individual establishments. Environmental accounts are derived from (surveyed) fossil fuel consumption by industry and other GHG sources compiled in national emission inventories. (7.1)
Intermediate Products	Products that are used as inputs in the production of other products and therefore do not enter the use phase in their current form. (6.3.4)

Land Use	The specific type of activity occurring on the land, based on certain land categories. Land categories include forest land, cropland, grassland, wetlands, settlements and others (unmanaged lands that do not fall into the other five categories such as bare soil or rock) (IPCC). For instance, if the land category is crop land, the land use may be crop production. Land use causes changes in the carbon stock of land which can result in GHG emissions. (6.3.1)
Land Use Change	Occurs when land use changes, either from one category to another or within a land use category (e.g. when a natural forest is converted to a managed forest). Land use change does not include changes in crop cover or crop rotations that occur within the cropland category. Land use change is of two types: Direct and Indirect. (6.3.1)
Land-Based Products	Products or product components that contain biomass and therefore could alter the carbon stock of the land from which they are extracted or harvested. (6.3.1)
Level of Assurance	The level of assurance refers to the degree of confidence the intended user of the assurance conclusion can gain from the outcome of the assurance evaluation. The level of confidence that can be gained is provided in the wording of the assurance conclusion, which reflects the conclusion the assurance provider can reach based on the reduction of the assurance risk. Assurance engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated. (11.1)
Life Cycle	Consecutive and interlinked stages of a product system, from raw material acquisition or generation of natural resources to end of life. (ISO 14044:2006)
Life Cycle Stage	Defined to aid in boundary definition and emission reporting along the life cycle of a product. Stages are defined in this standard as raw material acquisition and preprocessing, production, product distribution and storage, use, and end-of-life. (6.3)
Material Discrepancy	An error (for example, from an oversight, omission, miscalculation or fraud) that results in a reported quantity or statement being sufficiently different from the true value or meaning to influence a user's decision. (11.3.5)
Materiality	Concept that individual or the aggregation of errors, omissions and misrepresentations could affect the GHG inventory and could influence the intended users' decisions. (11.3.5)
Materiality Threshold	A concept employed in the process of assurance. It is often used to determine whether an error or omission is a material discrepancy or not. It should not be viewed as a de minimus for defining a complete GHG inventory. (11.3.5)
Measured Data	Direct GHG emissions measurements for a process at the production site. (7.2.2)
Multi-Input Process	Occurs when a number of different products (including the subject product) are treated in the same process. (8.1)
Multi-Output Process	Occurs when the product system under study includes a common process with multiple outputs from which only the subject product output is included in the studied product system (and the other outputs belong to other product systems). (8.1)

Open-loop recycling	Recycling system where the recycled material from a product system is used to make another product or cannot be recycled into a material with equivalent properties to virgin material. (8.3.4)
Precision (data quality indicator)	Measure of the variability of the data points used to derive the GHG emissions from a process (e.g., low variance = high precision). Relates mostly to where direct measurements have been used. (9.2.2)
Primary Data	Relates to activity data, emissions factors, or direct emission measurements for a specific process related to a specific product manufactured by a company or another company in its supply chain. (7.1)
Process Approach	A method of product life cycle accounting that involves quantifying and aggregating the emissions from each specific unit process within the established boundary of the product system. (4.2)
Process Data	Physical flow data relating to the individual process within the defined system boundary, and may consist of site specific process data, generic/average process data, process data from literature studies and expert estimates, and results from impact assessments. (7.1)
Process Subdivision	Method of dividing the common process into sub-processes in order to eliminate the need for allocation. (8.1)
Product	Any good or service.
Product Differentiation	A broad term encompassing all the specific end uses of product level GHG inventory that can help a company distinguish their product in the market place. (1.3.1)
Product Distribution & Storage Stage	Stage from when the product leaves the gate of the fabrication facility to when the consumer purchases the product for use. Several legs of distribution and storage can occur for one product, with storage included storage at a distribution center and a retail location if applicable. (6.3)
Product level GHG inventory	Compilation and evaluation of the inputs, outputs and the potential GHG impacts of a product system throughout its life cycle. (1.1)
Product System	The collection of processes that make up the boundary of a product level GHG inventory.
Production Stage	Stage from when the product components enter the production site to when the final product leaving the production gate. (6.3)
Proxy Data	Data that could come in the form of any of the above data types but would relate to a 'similar' input or process. (7.1)
Raw Material	Primary or secondary material that is used to produce a product (note: secondary includes recycled material). (6.3) Source: ISO 14044:2006

Raw Material Acquisition and Preprocessing Stage	Stage from when the material is extracted from nature, to when the product components reach the gate of the fabrication facility or service delivery operation. This stage includes the processes between the natural resources and the raw material which is supplied in the form of ingots, granules, powders, etc. as needed for the fabrication process. If several materials are used for the product, several raw material acquisition stages may be included within the boundary. (6.3)
Relevance (principle)	Ensure the product GHG report serves the decision-making needs of all users identified within the report. Present information in the report in a way that is readily understandable by the intended users with a reasonable knowledge of GHG accounting and who are willing to study the information. (2)
Scope 3 Inventory	A reporting organization's indirect emissions other than those covered in scope 2. A company's scope 3 inventory includes the upstream and downstream emissions of the reporting company.
Secondary Data	Relates to activity data, emissions factors or direct emissions measurements for processes related to a specific product that are not directly measured by the reporting company or a company in its supply chain. Secondary data can be process data or non-process data (e.g. environmentally extended input-output data). (7.1)
Subject Products	Products used within the product system under study. (8.1)
System Expansion	A method of expanding the functional unit of a study to avoid allocation. (8.1)
Technological representativeness (data quality indicator)	Degree to which the data set reflects the true population of interest regarding technology, including any background data sets used. (9.2.2)
Temporal representativeness (data quality indicator)	Degree to which the data set reflects the true population of interest regarding time / age of the data, including any background data sets used or whether an appropriate time period is used (e.g., for food products annual/seasonal averages or average of several seasons may be appropriate to smooth out data variability due to factors such as weather conditions). (9.2.2)
Third Party ("External") Assurance	Assurance provided by persons from a certification or assurance body independent of the product GHG inventory determination process. (11.1)
Transparency (principle)	Address and document all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the methodologies and data sources used. (2)

Uncertainty	Measure of the knowledge of the magnitude of a parameter. Uncertainty can be reduced by research, i.e., the parameter value can be refined. Uncertainty is quantified as a distribution. (9.2.3)
Use Stage	Stage from when a consumer purchases the product and to when the used product enters the end of life stage. (6.3)
Variance	A measure of the heterogeneity of a landscape parameter or the inherent variability in a chemical property. Variance cannot be reduced by further research. It is quantified as a distribution. (9.2.3)

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## Appendix F: References

The following documents provide further information to assist in the application of this standard.

- WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) (<http://www.ghgprotocol.org/standards/corporate-standard>)
- WRI/WBCSD GHG Protocol for Project Accounting (<http://www.ghgprotocol.org/standards/project-protocol>)
- ISO 14040:2006: Life Cycle Assessment – Principles and Framework
- ISO 14044:2006: Life Cycle Assessment – Requirements and Guidelines
- BSI/Carbon Trust/Defra. PAS 2050:2008 – Specification for the assessment of the life cycle greenhouse gas emissions of goods and services. (<http://www.pas2050.com>)
- BSI/Carbon Trust/Defra. Guide to PAS 2050: How to assess the GHG inventory of goods and services. (<http://www.pas2050.com>)
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- ISO 14025 – Environmental labels and declarations - Type III environmental declarations -- Principles and procedures
- ISO 14065 – “Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition”
- ISAE 3000 – “International Standard on Assurance Engagements 3000 (Revised) – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ issued by the International Auditing and Assurance Standards Board.
- International Framework for Assurance Engagements, issued by the International Auditing and Assurance Standards Board.
- ISQC1 - International Standard on Quality Control 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
- ISO 14064-3:2006, Greenhouse gases — Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions

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