



Template for submitting proposals related to GHG Protocol's *Corporate Standard*, *Scope 2 Guidance*, *Scope 3 Standard*, *Scope 3 Calculation Guidance* and market-based accounting approaches

(Optional)

Proposal instructions

GHG Protocol is conducting four related surveys in reference to the following GHG Protocol standards, guidance and topics:

1. Corporate Accounting and Reporting Standard (Revised Edition, 2004) ("Corporate Standard")
2. Scope 2 Guidance (2015)
3. Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) ("Scope 3 Standard"), and Technical Guidance for Calculating Scope 3 Emissions, version 1.0, 2013 ("Scope 3 Calculation Guidance")
4. Market-based accounting approaches

The survey is open until March 14, 2023. To fill out the survey, [click here](#).

As part of the survey process, respondents may provide proposals for potential updates, amendments, or additional guidance to the *Corporate Standard*, *Scope 2 Guidance*, *Scope 3 Standard*, or *Scope 3 Calculation Guidance*, by providing the information requested in this template. You may also use this template to provide justification for maintaining a current approach on a given topic.

Submitting proposals is optional. Respondents may submit multiple proposals related to different topics.

Proposals should be as concise as possible while providing the requested information. Submissions that are outside of the template may not be considered. Proposals may be made publicly available.

To submit the proposal, please save this file and fill out the fields below. When you've completed your proposal, please upload the file via this [online folder](#). Please name your file STANDARD_Proposal_AFFILIATION, e.g., *Scope 2_Proposal_WRI*.

Proposal and supporting information

- 1. Which standard or guidance does the proposal relate to (Corporate Standard, Scope 2 Guidance, Scope 3 Standard, Scope 3 Calculation Guidance, general/cross-cutting, market-based accounting approaches, or other)? If other, please specify.**

General/cross-cutting

The proposal relates to multiple GHG Protocol Standards. More specifically (and described below), it is relevant to the Corporate Standard as well as the Scope 3 Standard and Calculation Guidance, as it is about an organization implementing emissions reduction initiatives within their own operations and linking to a specific customer claim of an associated emissions reduction credits in their Scope 3 inventories. The proposal follows a similar approach to how renewable energy credit (REC)/energy attribute certificate (EAC) systems currently operate.

- 2. What is the GHG accounting and reporting topic the proposal seeks to address?**

This proposal is based on the concept that scope 1 emissions reductions by a supplier can result in equivalent scope 3 reductions for a customer. By implementing Scope 1 emissions reduction initiatives by a reporting company a subsequent transparent allocation of these emissions reductions to a specific customer can support emissions reductions in their own Scope 3 inventories. This framework is increasingly referred to as a 'Book and Claim' program. In our case at Canadian Pacific (CP), we are seeking to implement decarbonization initiatives in our freight railway operations to reduce our Scope 1 emissions. These emissions reductions are quantified in accordance with GHG protocol and verified by a third-party assurer. Validated emissions reductions would then be allocated to a participating customer to allow them to account for a reduction in their own Scope 3, Category 4 emissions based on the actual emissions reduction initiatives we implement in our own operations. Customers with large scope 3 emissions are seeking ways to reduce emissions within the value chain, engagement with suppliers and direct participation in supporting a supplier's ability to reduce scope 1 emissions are critical in enabling emissions reductions within value chains at a faster pace and scale.

- 3. What is the potential problem(s) or limitation(s) of the current standard or guidance which necessitates this proposal?**

The current standard and guidance do not have any information around the proposed type of Book and Claim programs, and more broadly, systems that allow organizations to implement actual emissions reduction initiatives, decouple the emissions reduction from an associated credit (like a REC/EAC), and then sell the credit to paying customers for them to account for the reduction associated with the emissions reduction initiative.

As the global standard for corporate emissions calculations, a lack of guidance from the GHG Protocol has made it more difficult to implement a credible and transparent program that will allow customers to claim the emissions reduction credits associated with low-carbon initiatives implemented by their service providers. Clear guidance and information from the GHG Protocol will help to unlock this approach to account for emissions reductions and encourage further collaboration around decarbonization efforts globally.

4. Describe the proposed change(s) or additional guidance.

Book and Claim systems pose a significant opportunity for transportation (and other service) providers to implement emissions reduction initiatives while allowing customers of these organizations to take action to reduce the impact of their Scope 3 footprint. We are hoping that the GHG Protocol includes content in the updated guidance that provides confidence in the alignment of these Book and Claim programs with GHG Protocol standards. This approach of claiming credit for emissions reduction initiatives already exists in other sectors and is recognized by the GHG Protocol in these areas. Specifically, for companies purchasing RECs or EACs to reduce their Scope 2 market-based footprint. In this case, the credit is often decoupled from the low or zero-carbon energy implementation, and through thorough tracking and allocation systems, customers can claim the benefit of using renewable electricity.

For the proposed Book and Claim program, customers would be claiming the credit associated with actual initiatives and associated emissions reductions that we are implementing in our operations. This will lead to a reduction in our Scope 1 emissions, which are calculated following GHG Protocol guidance. In turn, CP is planning to implement programs that would allow customers to pay for these specific credits, and therefore account for the emissions reduction in their own Scope 3, Category 4 emissions. This payment would then be invest in additional low-carbon initiatives. CP is not alone in our interest in developing this type of program. Other operators in the logistics and business travel value chain are introducing similar initiatives. Having standard language in the GHG Protocol about these types of programs will help to encourage the adoption of low-carbon initiatives, drive decarbonization, and create more confidence in the implementation of such a program.

Even with GHG Protocol guidance, it will still be the responsibility of the organization to create a methodology that clearly outlines how these Book and Claim programs are implemented, including the calculation of the baseline GHG emissions, reductions, and allocation to specific customers. It will also still be the responsibility of the company to track low-carbon fuel and energy used and transparently communicate that with stakeholders. However, having recognition and guidance for such programs formalized by the GHG Protocol will help to increase their adoption and drive cross-sector decarbonization.

5. Please explain how the proposal aligns with the GHG Protocol decision-making criteria and hierarchy (A, B, C, D below), while providing justification/evidence where possible.

A. GHG Protocol accounting and reporting approaches shall meet the GHG Protocol accounting and reporting principles (see Annex for definitions):

- Accuracy, Completeness, Consistency, Relevance, Transparency

- Additional principles for land sector activities and CO₂ removals: Conservativeness, Permanence, and Comparability if relevant

This proposal aligns with the GHG Protocol's existing accounting and reporting principles as it is relying on these principles to calculate the emissions (and associated reductions) related to the use of low-carbon fuels in transportation. The proposal, as presented, will continue to use the principles of accurate, complete, consistent, relevant, and transparent emissions calculations. From the standpoint of an organization like CP, where the emissions, and associated reductions, are covered in our corporate Scope 1 footprint, there are no proposed changes to how the GHG Protocol currently outlines this approach. The proposal is encouraging the GHG Protocol to include guidance on allocating credits associated with emissions reductions to customers, so they can account for them in their Scope 3, Category 4 footprint. Reporting organizations will still implement thorough tracking processes to ensure accuracy, completeness, consistency, relevance, and transparency and ensure that emissions are being appropriately measured and allocated (e.g., not double counted).

B. GHG Protocol accounting and reporting approaches shall align with the latest climate science and global climate goals (i.e., keeping global warming below 1.5°C). To support this objective (non-exhaustive list):

- Direct emissions reported in a company's inventory should correspond to emissions to the atmosphere. Reductions in direct emissions reported in a company's inventory should correspond to reductions in emissions to the atmosphere.
- Indirect emissions reported in a company's inventory should in the aggregate correspond to emissions to the atmosphere. Reductions in indirect emissions reported in a company's inventory should in the aggregate correspond to reductions in emissions to the atmosphere.

This proposal also aligns with the latest climate science and goals. It aims to encourage the adoption of emissions reduction initiatives in the transportation sector, one of the largest contributors to GHG emissions globally. Widescale adoption of Book and Claim programs will help transportation providers directly invest in low-carbon initiatives that reduce our own direct emissions while also reducing the indirect emissions of our customers. Emissions reduction initiatives that are implemented as part of these programs will correspond to direct emissions reductions in the reporting company's Scope 1 inventory (e.g., use of renewably generated hydrogen instead of fossil diesel fuel). This will help CP meet our own science based climate goals, as well as reduce emissions in the freight transport value chain. Our customers would then be able to claim the emissions reduction benefit associated with the implementation of these programs. Because the initiatives are connected to actual emissions reductions occurring within CP's own organizations, then the indirect emissions reductions that our customers claim will correspond to actual reductions in atmospheric emissions as well.

C. GHG Protocol accounting frameworks should support ambitious climate goals and actions in the private and public sector.

- Would this proposal enable organizations to pursue more effective GHG mitigation/decarbonization efforts as compared to the existing standards and guidance? If so, how?

- Would this proposal better inform decision making by reporting organizations and their stakeholders (e.g. related to climate-related financial risks and other relevant information associated with GHG emissions reporting)?

Yes, the aim of this program is for CP to be able to implement low-carbon programs at a broader scale, to reduce our own corporate footprint as well as the emissions impact of the broader freight transportation sector. Rail is already the most emissions efficient method of transporting goods, and by providing formal guidance allowing for the implementation of Book and Claim programs, we will be able to further improve the GHG emissions performance of the service we provide. Guidance from the GHG Protocol will encourage greater adoption of these types of programs, as there would be more support for customers to be able to claim the Scope 3 emissions reduction associated with their suppliers implementing actual emissions reduction initiatives in their own operations. This will help companies to achieve their climate goals and improve value chain collaboration on climate initiatives. This proposal will help with decision making processes as it would encourage greater communication and transparency on implementing low-carbon initiatives and appropriately accounting for these programs.

D. GHG Protocol accounting frameworks which meet the above criteria should be feasible. (For aspects of accounting frameworks that meet the above criteria but are difficult to implement, GHG Protocol should provide additional guidance and tools to support implementation.)

- What specific information, data or calculation methods are required to implement this proposal (e.g., in the case of scope 2, data granularity, grid data, consumption data, emission information, etc.)? Would new data/methods be needed? Are current data/methods available? How would this be implemented in practice?
- Would this proposal accommodate and be accessible to all organizations globally who seek to account for and report their GHG emissions? Are there potential challenges which would need to be further addressed to implement this proposal globally? What would be the potential solutions?

Specific information required to implement this proposal includes emissions information on alternative fuels/energy (e.g., hydrogen, biofuels, etc.), and how these compare to the conventional alternative. Current data and methods are available for the implementation of this proposal, with the primary update required being guidance from the GHG Protocol on the ability of our customers to claim the emissions reduction benefit associated with low-carbon initiatives we are implementing. The actual calculation and allocation would all be based on current data and methods.

While this proposal is primarily written from the standpoint of a transportation provider, similar approaches could be utilized for providers of other goods and services as well. Therefore, if adopted, this proposal would be relevant to organizations beyond those who are just in the transportation value chain. At this time, we do not see any significant challenges to implementing this proposal, as it is heavily based on the existing GHG Protocol for Scope 1 calculations, and there are similar programs that have been previously implemented that utilize a similar logic (e.g., with the decoupling of renewable electricity generation and the associated credits).

6. Consistent with the hierarchy provided above, are there potential drawbacks or challenges to adopting this proposal? If so, what are they?

No, there are no identified drawbacks or challenges associated with the adoption of this proposal. While the responsibility will still fall on the reporting company to appropriately account for and allocate emissions, this is no different than other elements of the GHG Protocol.

7. Would the proposal improve alignment with other climate disclosure rules, programs and initiatives or lead to lack of alignment? Please describe.

The proposal would help to improve alignment with other programs and initiatives. Specifically, there are other organizations (including RSB, Smart Freight Centre, World Economic Forum) that are working on the development of a Book and Claim framework. Guidance from the GHG Protocol would directly align with these initiatives.

8. Please attach or reference supporting evidence, research, analysis, or other information to support the proposal, including any active research or ongoing evaluations. If relevant, please also explain how the effectiveness of the proposal can be evaluated and tracked over time.

<https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/driving-decarbonization-accelerating-zero-emission-freight-transport>

<https://www.smartfreightcentre.org/en/news/smart-freight-centre-partners-with-world-economic-forum-and-leading-companies-to-develop-a-book-and-claim-chain-of-custody-system-for-transportation-supply-chain-emission-reduction-actions/64701/>

<https://rsb.org/book-claim/#:~:text=Technically%20speaking%2C%20'book%20and%20claim,'Book%20%26%20Claim%20Unit'.>

The effectiveness of this proposal could be evaluated and tracked over time based on the number of organizations that implement Book and Claim programs of their own. Further, the emissions reductions associated with these organizations direct emissions could be tracked to understand if there is any correlation between program implementation and actual emissions reductions.

9. If applicable, describe the process or stakeholders/groups consulted as part of developing this proposal.

We are currently exploring the development of a Book and Claim methodology to implement such a program for ourselves and customers. As part of this process, we are engaging with numerous internal stakeholders at CP Rail, as well as some of our value chain partners in the transportation sector that have implemented similar types of programs. We also work with our consulting partners on the development of this methodology and proposal.

10. If applicable, provide any additional information not covered in the questions above.

N/A

Proposal Annex

GHG Protocol Decision-Making Criteria and Hierarchy

A. First, GHG Protocol accounting and reporting approaches shall meet the GHG Protocol accounting and reporting principles:

- Accuracy, Completeness, Consistency, Relevance, Transparency
- Additional principles for land sector activities and CO₂ removals: Conservativeness, Permanence, and Comparability if relevant
- (See table below for definitions)

B. Second, GHG Protocol accounting and reporting approaches shall align with the latest climate science and global climate goals (i.e., keeping global warming below 1.5°C). To support this objective (non-exhaustive list):

- Direct emissions reported in a company's inventory should correspond to emissions to the atmosphere. Reductions in direct emissions reported in a company's inventory should correspond to reductions in emissions to the atmosphere.
- Indirect emissions reported in a company's inventory should in the aggregate correspond to emissions to the atmosphere. Reductions in indirect emissions reported in a company's inventory should in the aggregate correspond to reductions in emissions to the atmosphere.

C. Third, GHG Protocol accounting frameworks should support ambitious climate goals and actions in the private and public sector:

- Accounting framework/s would enable organizations to pursue more effective GHG mitigation/decarbonization efforts as compared to the existing standards and guidance
- Accounting framework/s would better inform decision making by reporting organizations and their stakeholders (e.g. related to climate-related financial risks and other relevant information associated with GHG emissions reporting)

D. Fourth, GHG Protocol accounting frameworks which meet the above criteria should be feasible to implement for the users of the frameworks.

- For aspects of accounting frameworks that meet the above criteria but are difficult to implement, GHG Protocol should provide additional guidance and tools to support implementation.

GHG Protocol Accounting and Reporting Principles

Principle	Definition
Accuracy	Ensure that the quantification of GHG emissions (and removals, if applicable) is systematically neither over nor under actual emissions (and removals, if applicable), and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information.
Completeness	Account for and report on all GHG emissions (and removals, if applicable) from sources, sinks, and activities within the inventory boundary. Disclose and justify any specific exclusions.

Consistency	Use consistent methodologies to allow for meaningful performance tracking of emissions (and removals, if applicable) over time and between companies. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series.
Relevance	Ensure the GHG inventory appropriately reflects the GHG emissions (and removals, if applicable) of the company and serves the decision-making needs of users – both internal and external to the company.
Transparency	Address 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 accounting and calculation methodologies and data sources used.
Conservativeness (Land Sector and Removals Guidance)	Use conservative assumptions, values, and procedures when uncertainty is high. Conservative values and assumptions are those that are more likely to overestimate GHG emissions and underestimate removals, rather than underestimate emissions and overestimate removals.
Permanence (Land Sector and Removals Guidance)	Ensure mechanisms are in place to monitor the continued storage of reported removals, account for reversals, and report emissions from associated carbon pools.
Comparability (optional) (Land Sector and Removals Guidance)	Apply common methodologies, data sources, assumptions, and reporting formats such that the reported GHG inventories from multiple companies can be compared.