



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 February 28, 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 send the file as an attachment to info_ghg@ghgprotocol.org. 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.

market-based accounting, general/cross-cutting

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

This proposal attempts to establish an accounting framework that separates footprint/attributional accounting and market-based/consequential accounting to ensure that reductions in corporate inventories correspond to real-world atmospheric emissions reductions.

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

Under current market-based accounting in Scope 2, if an organization reduces their footprint using EACs, the footprint of other organizations will increase, and there is not necessarily a reduction in atmospheric emissions. Any market measures that result in a reduction of an organization's inventory should correspond to a reduction in atmospheric emissions without shifting the burden to other organizations. If market measures are allowed in Scopes 1 and 3 in addition to Scope 2, this gap will need to be addressed.

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

We propose separate parallel accounting for footprint (attributional) accounting, where market measures are not permitted, and consequential accounting, where the emissions reductions actions of organizations are accounted for.

Under this approach, footprint/attributional reporting would be required for all reporting entities and would include an assessment of attributional emissions from an organization's actions.

Market-based/consequential reporting would be optional, but if an organization wanted to report any market-based mitigations/reductions they would be required to do so under the market-based/consequential category. Under this optional market-based accounting, an organization would have to report the emissions caused, any emissions mitigated, and the net resulting emissions. This approach of splitting out emissions reductions as a separate line item makes explicit any reductions and how they were achieved instead of obscuring them in a scope total as is the current practice in the Scope 2 market-based accounting. Because organizations are reporting emissions mitigations, any reductions would have to undergo strict scrutiny to ensure that organization caused the reported emissions reduction.

Under this proposed accounting approach, each scope would remain substantially the same but an organization could only report any emissions mitigations or reductions within the same specific industry category where emissions were caused (e.g., steel market measures could only be applied against emissions caused by steel). Mitigations should not exceed emissions caused for the same industry category. We recommend adding an additional 'other' category, where no footprint/attributional reporting is permitted but where any mitigations like offsets outside of scopes would be permitted. Any excess mitigations that exceed the industry specific emissions reductions from Scopes 1-3 could also be applied in this category.

A table showing this proposed accounting approach is included below for clarity.

		Footprint (Attributional) REQUIRED	Market-based (Consequential) OPTIONAL
Scope 1	Caused		
	Mitigated	[not allowed]	
	Net		
Scope 2	Caused		
	Mitigated	[not allowed]	
	Net		
Scope 3	Caused		
	Mitigated	[not allowed]	
	Net		
Other	Caused		
	Mitigated	[not allowed]	
	Net		
Total	Caused		
	Mitigated	[not allowed]	
	Net		

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

Splitting the accounting into separate caused, mitigated, and net emissions improves the transparency of reporting without decreasing consistency, relevance, completeness, or accuracy. Because reporting entities would be required to report their emissions caused separately from any reductions, it would be possible to see where organizations are still causing emissions before market measures and mitigations are applied. Any market measures applied to the net total would have to be explicitly reported. This significantly increases the transparency of emissions reporting.

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.

By requiring organizations to separately report emissions reductions using market measures that undergo strict scrutiny, reporting will better reflect actual changes to emissions in the atmosphere. Any market measures permitted under the accounting scheme would have to be designed and reviewed to ensure that they resulted in actual real-world emissions reductions.

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)?

This accounting approach would provide opportunities for organizations to reduce emissions outside their footprint and catalyze investment in additional emissions reducing technology while still drawing a clear line between emissions within an organization's boundary and mitigation activity that that organization undertook. By limiting mitigations to specific industries it also forces organizations to invest in decarbonization in industries where they cause emissions.

It is also important that organizations report emissions reductions separately from footprint emissions so that organizations and their stakeholders are able to see exactly where and how total emissions caused and net emissions are achieved through reductions.

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?

Any new proposed market measures would have to be reviewed and defined for any industries that want to enable market-based accounting. There are already efforts underway to define market measures for green steel, sustainable aviation fuel, renewable natural gas, and other industries. Before any market-based system is accepted into this accounting framework, it would have to be assessed to determine whether the system results in real-world emissions reductions.

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

This proposal would lead to increased reporting burden for organizations that want to report mitigations/reductions outside of the footprint inventory.

An additional risk is that carbon offset projects or market measures that are certified as additional, but not really additional or high quality, could essentially be given more weight this way by placing them in the scopes. Ideally, the guidance would also include a recommendation that the judgement of whether a project was valid (e.g. whether it was additional, or the emissions it reduced) should not be done by institutions whose business model is that they are paid only for projects that they do deem valid. This obvious incentive problem is a key driver of why market mechanisms can sometimes fail to successfully reduce total atmospheric emissions, and would need to be addressed for scope 1 and scope 3 market mechanisms to successfully ensure high quality. The guidance could recommend that fees to assess project quality should be separated from payment for the project.

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

This proposal would improve alignment between carbon offset registries and the scopes, which are currently not compatible systems.

This is most important for scope 2, where currently RECs are serving much of the function of carbon offsets, but without the same quality control (additionality tests) and using different metrics (avoided marginal emissions).

- 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.**

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

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

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.