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.**

Scope 2 Guidance

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

Accounting of Hydrogen

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

It is currently not sufficiently defined how to adequately account for hydrogen in a company's GHG inventory. Current corporate practice shows the increasing significance of hydrogen in a company's energy and raw material sourcing, when in the same time considering the environmental impacts of hydrogen production. Generally, hydrogen can be accounted for as raw material and therefore within Scope 3.1 and as an energy carrier. In the following, we are focussing on the accounting of hydrogen as an energy carrier. According to current reading of the GHG Protocol it could be argued that the electrolysis process should be accounted for under scope 1, and the distribution and production emissions under scope 3.3. As currently designed, this would lead to several disadvantages, among which the most important aspect is certainly the insufficient representation of the climate impacts of the different production types of hydrogen (gray, green, blue, purple, etc.). The energy-related upstream activities would be displayed under Scope 3.3. This is problematic as this category often is not reported by companies and is not integrating into the target boundary of their science based targets. On the other hand, one can argue that the energy conversion process (electrolysis) takes place outside a company's boundaries and should therefore be accounted for in a similar way to grid-based energy (electricity, district heating). The company would then account for the hydrogen with the emissions from electrolysis, etc. in Scope 2. This would have the advantage of direct accounting and establishing transparency regarding the climate impact of the hydrogen used (whether green, blue or gray has an

enormous impact on the degree of climate damage). However, in this approach other challenges would arise as this could lead to double counting within the same scope category (example: Scope 2 from Company A (purchasing hydrogen) and Scope 2 from hydrogen producer B (purchasing electricity to produce hydrogen)).

From our point of view, it is therefore of enormous importance that future energy carriers such as hydrogen are adequately considered in the GHG inventory of companies in order to avoid a shift of significant emission sources within the value chain of a company into categories that are not targeted, controlled and not reported.

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

In our opinion, the following proposal should be discussed:

Proposal 1: Allow double counting for energy carriers within Scope 2, such as hydrogen in order to provide maximum transparency of the climate effects of a company's energy transition. This would be conducted in a market-based approach analogous to the accounting of grid-bound energy by accounting GHG emissions with supplier-specific emission factors of energy utility companies. In this way, hydrogen producers and distributors would be required to issue certificates indicating the production process as well as the energy-mix and emission intensity to produce respective hydrogen.

Proposal 2: Developing a separate set of rules for hydrogen to add to the crucial role of hydrogen in the energy transition. In this, special guidance for hydrogen could be provided regarding a mandatory accounting and transparent reporting of the energy-related upstream chain. This could be possibly included within a mandatory reporting of out of scope categories along with scope 1 and 2. This approach would give additional importance to critical elements of the energy transition, e.g. taking into account the different environmental impacts and CO2 storage capacities of bioenergy.

Proposal 3: Mandatory accounting and reporting of Scope 3.3. including mandatory accounting and calculation of the category. This approach would allow the greatest degree of consistency with the existing accounting logic and at the same time aim to account for all significant categories. Important in this context would be not only the respective calculation and reporting, but also a binding inclusion within the target boundaries of a company's set science-based targets.

We ask the GHG Protocol to provide concrete guidance on how to account for hydrogen as an energy carrier in the future.

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 CO_2 removals: Conservativeness, Permanence, and Comparability if relevant

All our proposed solutions take into account the principles of the GHG P and aim to further strengthen and improve them.

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.

All our proposed solutions are aligned with the state of climate science and aim at the 1.5 target.

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)?

All our proposed solutions aim at pursuing more effective GHG mitigation/decarbonization efforts as compared to the existing standards and guidance.

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?

All our proposed solutions aim at pursuing more effective GHG mitigation/decarbonization for a large range of organizations. The aim is to produce a more accurate guidance with a proportionate extension of methods.

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

The challenges are manifold, depending on the balance area, and are described in detail in the specific solutions proposed.

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

The aim of our proposed solutions is to make different standards more compatible/aligned with each other. This concerns, among others, the GHG P and SBTi.

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.**

Several internal discussion rounds followed by proposal developments in an iterative process.

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 CO_2 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.