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?**

Use of Renewable Energy Certificates: 1. Additionality 2. Synchronization of the different methods for accounting of renewable electricity

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

<u>Additionality:</u> Under the current Scope 2 guidance no additional quality criteria are defined with regards to the use of RECs. In practice this leads to inflationary use of RECs within companies climate strategies that do not lead to additional renewable energy production (see Bjoern et al.). Their procurement does not lead to an actual reduction of emissions, since they mostly stem from old generators (at least in Europe) where no financial additionality is given and the composition of the underlying electricity production does not change. Concretely existing and accounted emissions from Scope 2 are thus reduced with an instrument that does not allow the same accuracy of calculation and often overestimates the actual emission reduction. This relationship has already been clarified in numerous studies and should be addressed accordingly in the new edition of the Scope 2 guidelines. **<u>Synchronization of the different methods for accounting of renewable electricity:</u>** Under the current Scope 2 Guidance, green electricity can only be applied if renewable energy certificates can be provided for each MWh of electricity demand. In practice, however, various

national special paths exist here. While in countries with "full disclosure" such as Austria all renewable plants generate renewable energy certificates, in countries with support regimes such as the EEG, subsidized plants are excluded and do not generate any certificates. As a result, companies have to source additional certificates for the entire amount of electricity they purchase, even though the electricity supplied is already green to a large extent by generators under the support regime. According to the electricity labelling obligation defined in the German Energy Industry Act, EEG electricity volumes are designated as renewable in the suppliers' electricity mix. Nevertheless, this renewable characteristic is lost after the plants do not generate any guarantees of origin under German law and are therefore defined as grey electricity. Overall, this leads to unequal treatment of renewable plants in neighbouring countries and should be addressed in the updated version of the Scope 2 Guidance.

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

Additionality:

Possible additional criteria have also already been discussed by various authors and should be considered in the revised version of the GHG Protocol. The Öko-Institut, for example, in its paper "Empowering green energy consumers in Europe to make real difference" defines the term "hard additionality", which could serve such a purpose well. Others suggest moving away from the "market-based approach" and thus fundamentally from the use of guarantees of origin in corporate climate strategy. While this approach would reduce the problem of the inflationary use of guarantees of origin without actual climate impact, it would also reduce the possibility of the additional expansion of renewable energies pushed by private sector companies and thus possibly slow down the transformation of the energy system. We ask the GHG Protocol to further analyse and define the quality standards (e.g. financial additionality) of RECs and to give an indication on which standards should be followed.

Synchronization of the different methods for accounting of renewable electricity:

We ask the GHG Protocol to further define whether for example electricity quantities subsidized by the EEG can be counted in the corporate carbon footprint without having to source extra guarantees of origin for it.

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.