



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.

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

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

We are struggling with the notion of organizational boundaries in the case of operational control. In the current version of the guidance, it is stated that a company has operational control

- if it has “the full authority to introduce and implement its operating policies at the operation”,
- generally has operational control if it is “the operator of a facility”,
- and may have operational control even if it doesn’t “necessarily [have] authority to make all decisions concerning an operation”.

Besides, the interest of operational control is that “a company takes full ownership of all GHG emissions that it can directly influence and reduce”.

In some of our activities, we have employees managing operations for the account of the client, but with such restricted possibilities to depart from the narrow specifications imposed by the client that we feel that the client has operational control, not us. One example is the Energy Services for Buildings activity, in which Veolia manages some energy production facilities (boilers...) on the client’s site, for instance offices, hospitals or shopping malls. We often have contracts that we call “Operation & Maintenance”, in which the client chooses almost all the relevant parameters, leaving us very little room for any kind of control, in particular when it comes to reducing GHG emissions. For instance, the client may impose the setpoint temperatures in the rooms, the opening hours of the venue or the means of energy production (including the type of fuel). He often keeps for himself the energy data. In those cases, we think we should not be considered in the position of “directly influenc[ing] and reduc[ing] GHG emissions”, nor be “held accountable” for choices imposed on us.

We would need more guidance about how to set a limit between

- the cases in which sufficient room is left in the contractual arrangements for us to be considered as having operational control,
- the cases in which the contract is made so that the client keeps the operational control, our company being a mere workforce and/or expertise provider.

The current state of the guidance is of little help, as

- it does not define precisely what it means to be the “operator of a facility”. Does it mean paying the workforce who is on the field activating the operational levers of the facility, even with little room for control on the relevant operating parameters (see example above: setpoint temperatures, opening hours...)? Or does it mean rather taking all the significant decisions about these relevant parameters impacting the performance of the facility (including on GHG emissions), even if the application on the ground of these decisions is

subcontracted? In this second hypothesis, our clients in the energy services for buildings would be considered as “operators” and Veolia would be a mere subcontractor.

- the guidance may seem self-contradictory as the operator exerting operational control should have “full authority to implement its operating policies”, but at the same time does not have to have “authority to make *all* decisions concerning the operations”. For this nuance to be of any use to us, we would need more precision as to what exactly “operating policies” means and in what way they differ from the other “decisions concerning the operations”.

Besides, the current version of the guidance is unclear about the cases in which the client consolidates the GHG emissions from its asset in its scope 1, for instance in some types of contracts with municipalities in which we operate their assets (incinerators, water treatment...). How should we count these emissions?

- If we claim operational control, we should declare the emissions in our scope 1, leading to a double counting in the same scope which should be avoided according to the guidance.
- If we do not claim operational control, should we declare the emissions? If so, in our scope 3 (which category?)

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

As a first idea of what a more operational definition of operational control might be, we suggest that, extending the provisions of the paragraph entitled “Contracts that cover GHG emissions” (chapter 3, p. 20), when operational control is chosen over other types of boundary-setting methods, contractual allocation of the GHG emissions of a jointly operated asset should be made compulsory, be it between several associate operators, or between a client and its provider(s) working on the asset under the client’s control. We think this could foster fruitful discussions between these stakeholders about who controls what and who has the levers to do what, relating to the GHG emissions of the asset. Besides, such a solution would save lots of discussions on how to define in a top-down manner the crossing line between the situations in which the subcontractor has enough decision-making power over the asset, and thus becomes “the operator”; and the situations in which the client keeps most of the relevant decisions and thus remains “the operator” consolidating emissions in its own scope 1 & 2.

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 definitely enhances

- accuracy, as it clears up an ambiguity about operational control

- relevance, as only the emissions on which one has the levers to act come into its organizational scope.
- transparency, as an additional contractual arrangement is suggested, making accountability choices more transparent between stakeholders

And it does not impair other reporting principles.

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 would ensure that two separate actors do not account in their scope 1 the same emissions (the same for scope 2), thanks to the fact that there would be a compulsory contractual arrangement related to who should consolidate the emissions in its inventory.

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)?

When responsibilities are clearer, action is easier. As the proposal would clear up an ambiguity as to in whose scope 1 or 2 the emissions fall, it would help the stakeholder to whom was given responsibility for the emissions clarify its liabilities and the path toward decarbonization.

It would also trigger conversations between stakeholders to help them find the best arrangement, trusting the party in the best position to act on the decarbonation levers with the responsibility to proceed.

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?

This proposal is ambitious as it would compel all companies willing to abide by the Standard to make new contractual arrangements with all their business counterparts when an asset emitting GHG is at stake. However, as carbon accounting is becoming increasingly relevant, and may become as important as financial accounting in the medium term, the proposal could start introducing useful conversations about carbon accounting in contract-setting business meetings.

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

The challenge is the fact that the proposal would compel virtually all companies to add a specific clause in virtually all their contracts involving a GHG emitting asset.

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

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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.

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

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

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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. |

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| 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. |