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*.

Respondent information

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If proposals are made publicly available, would you like your proposal to be made publicly available? Please write either "Yes" (make publicly available) or "No" (do not make publicly available).

Yes

If your proposal is made publicly available, would you like it to be made publicly available with attribution (with your name and organization provided) or anonymous (without any name or organization provided)? Please write either "With attribution" or "Anonymous".

With attribution

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.**

Corporate Standard, Scope 2 Guidance

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

The Clean Energy Buyers Institute (CEBI), a 501c3 research nonprofit, would like to offer a four-part proposal in our Recommendation 1 herein providing rationale and guidance on how to maintain and enhance the market-based method under Scope 2 to advance systemic electric grid decarbonization globally.

This proposal is informed by research conducted under CEBI's Next Generation Carbon-Free Electricity Initiative ("NextGen CFE Initiative"), which aims to expand the menu of clean energy procurement options available to energy customers globally to ensure more powerful, targeted market signals exist to accelerate private sector investment in driving down greenhouse gas emissions and leading to systemic electric grid decarbonization. This research was informed by input from over 100+ energy customers, solution providers, and voluntary market stakeholder organizations (i.e., standards bodies, energy attribute certificate registries, data providers, customer leadership programs, government representatives, think tanks, NGOs, and academic researchers) gathered through a dozen workshops as well as numerous interviews and small group meetings. The outcome of this work are informed proposals for how to introduce updated voluntary market system infrastructure to enable customers to pursue the most impactful procurement decisions that they can—through enhanced energy attribute certificates (EACs), more granular and consistent energy and emissions data, new or modified customer leadership programs, and clarified greenhouse gas accounting.

More specifically, customers have specified eight objectives for next generation CFE procurement and seek solutions that enable them to:

1. Procure any CFE generation and complementary resources: Consider the customers that want to support firm CFE resources as well as the introduction of storage co-located with CFE resources so that this customer can procure a new "battery-stored CFE" product and/or a customer that wants to verify the CFE credentials of a kilogram of clean hydrogen.

2. Procure CFE in the most carbon-intensive locations: Consider the customers that want to procure CFE in the most carbon-intensive places, even if not matched geographically with their load.

3. Procure CFE at the most carbon-intensive times of day: Consider the customers that want to procure CFE in the most carbon-intensive times of day.

4. Match energy consumption with local CFE procurement on a 24/7 basis: Consider the customers that want to procure CFE on a more granular basis to match their procurement with their load curves so they can verify the percentage of hourly (rather than annual) matching.

5. Procure CFE to cover electricity use across value chains: Consider the customers that have extensive upstream and downstream value chains, where electricity represents a portion of their Scope 3 value chain.

6. Apply over-procurement of CFE from certain regions to places without procurement options: Consider the customers that have global operations yet not all markets have readily accessible procurement options.

7. Motivate systemic grid decarbonization beyond the organization's operations: Consider the customers that are engaging with local policymakers to advance broader decarbonization efforts.

8. Deliver social, community, and ecosystem benefits that promote further decarbonization of the grid: Consider the customers that want to procure CFE in ways with various social, community, and environmental credentials—ranging from community decision-making and buy-in and job impacts to minimum ecosystem and lifecycle impacts.

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

To get back on track with keeping global warming under 1.5°C, it is essential to promote as much action by as many stakeholders as possible to accelerate the deployment of carbon-free electricity (CFE). Energy customers have played a critical role in driving investments in grid decarbonization investments, and there is an opportunity to enable both more customers to enter voluntary markets and empower customers to be more impactful through their CFE procurement.

Energy customers procure CFE and drive CFE resource investments through a diverse array of EAC offerings, including unbundled EACs—the most widely available and procured product because they have the least contractual and financial complexity—and bundled options like power purchase agreements. This voluntary procurement complements policy action in decarbonizing the grid by providing a critical additional revenue stream for CFE resources and sending collective market signals that help reduce investment risks and improve investment terms. For example, since 2014, commercial and industrial customer-led procurement of wind, solar, and battery storage has amounted to 64.5 gigawatts (GW) of new CFE capacity in the United States alone—equivalent to 41% of all new clean capacity additions during this timeframe.

Globally, demand for CFE is increasing and provides additional revenue, from several percentage points up to as much as 20%, as indicated by various CFE project developers. Increased revenue means CFE developers can secure better investment terms and hasten deployment. For example, in 2020, customers procured over 1 billion EACs globally and generated over US$9 billion in additional value to CFE resources.

The market-based method has served as a linchpin, along with market-based instruments (i.e., EACs, both bundled and unbundled), for enabling voluntary customer CFE procurement and the resulting market and investment impacts. Because CFE procurement counts for reducing a customer's electricity-based emissions, this accounting method creates a powerful incentive for customers to procure CFE. There is an opportunity to update the GHG Protocol to make various targeted updates that will unleash a broader menu of options that enable the most customers possible to help drive investments in systemic grid decarbonization. The market-based method is becoming even more important considering various policy developments and incentive schemes (e.g., IRA and SEC draft carbon disclosure rule in the U.S., CBAM in the E.U.), where the full potential incentives for emerging technologies like clean hydrogen will not be met unless there is a way to account for those actions, which the market-based approach enables. An increasing number of energy customers are looking to further optimize the decarbonization impact of CFE procurement, as characterized by their eight next generation objectives above, and the current guidance provided in the Greenhouse Gas Protocol's Corporate Standard does not enable customers to reflect the differentiated impact of different procurement decisions. Over 1,500 organizations have set net-zero commitments through SBTi alone.

These customers are seeking guidance that helps them to account for and credibly report on enhanced, even more impactful procurement within an expanded menu of CFE procurement options.

There is an opportunity to enhance voluntary markets so that they continue to grow—attracting needed additional revenue and investment risk reduction—while enabling customers to send more targeted, powerful, and differentiated market signals through CFE procurement to drive systemic grid decarbonization. This requires various targeted updates to voluntary market infrastructure, including enriched energy attribute certificates (EACs), more granular and consistent data access, updated customer leadership program, and enhanced greenhouse gas accounting. In other words, there are ways to broaden the pool of customers that participate in voluntary markets while empowering customers to procure CFE in the times and places that are the most carbon intensive.

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

In this Recommendation 1, CEBI recommends that the Greenhouse Gas (GHG) Protocol should maintain and enhance the current system of annual matching under Scope 2 market-based method to enable and incentivize more customers to voluntarily procure CFE and advance systemic grid decarbonization.

As such, CEBI recommends that the GHG Protocol provides clearer guidance and updates the market-based method in accordance with the following four-part Recommendation 1:

Recommendation 1a: The GHG Protocol should provide its users a clearer locational and temporal data hierarchy to help users better understand and prioritize:

(a) Electricity consumption data, where more granular data sits at the top of the hierarchy, but is not required;

(b) Emission factors in existing hierarchy, where the most verifiable and granular emission factors sit at the top of the hierarchy; and

(c) EAC granularity, whereby Granular Certificates (i.e., GCs, which are EACs issued on an hourly basis) should be listed as the highest precision EAC within the top category of EACs at the top of the Greenhouse Gas Protocol's hierarchy of emission factors. It is important to emphasize that this Recommendation 1a is to clarify recognize GCs as an EAC in the emission factors hierarchy and to clarify where they sit. We are not recommending that GCs or hourly accounting to be required, but rather to specify their existence and use within the emission factors hierarchy.

Recommendation 1b: Language should be broadened throughout the Scope 2 Guidance to become inclusive and technology-neutral for all types of CFE generation technologies. This update would help clarify how customers account for procurement of any CFE technology and enable them to support investments in both variable and firm dispatchable CFE resources. The GHG Protocol should also include guidance around how customers in markets that may adopt all-generation tracking (i.e., where CFE and non-CFE resources all receive EACs for enhanced transparency, as is currently proposed by RECS International and I-REC standard) account for procured CFE.

Recommendation 1c: New guidance should prescribe how to account for CFE procurement that includes complementary technologies, such as battery storage co-located with CFE resources and clean hydrogen. This update would help clarify how customers can account for procurement of solutions that include these complementary technologies and enable them to support investments in these technologies that are essential for accelerating and delivering systemic grid decarbonization.

Recommendation 1d: The order of operations in which users account for the combination of purchases and grid-supplied CFE should be updated to more accurately reflect the emissions from the combination of company-procured CFE and grid-supplied CFE. In the current Scope 2 market-based inventory, mathematically, the only way to get to zero scope 2 emissions is with 100% voluntary procurement OR 100% carbon-free grid - any other combination is mathematically competing, not complimentary. This means that companies striving to reduce scope 2 emissions as part of net zero goals may focus solely on the amount of EACS they can procure and not on decarbonizing the grid, which is the goal of the net zero goals. RE100's procurement options and CRS's Standard Delivery Renewable Energy Guidance (2021), have both addressed the "order of operations" issue of how different carbon-free electricity complements, not displaces, other procurement methods, and could serve as useful resource to address this issue in the current Scope 2 methodology.

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

CEBI's four-part Recommendation 1 promotes all five core GHG Protocol principles for Scope 2 accounting. This recommendation would enable a greater differentiation of CFE solutions available to customers while ensuring customers retain incentives to engage in voluntary markets and make fact-based impact claims on an annual basis. This recommendation focuses primarily on where the GHG Protocol can provide clearer guidance to promote data granularity and CFE technology inclusivity.

CEBI's Recommendation 1 will help tap into opportunities to incentivize and reflect actions that drive decarbonization in the most carbon-intensive places and times to further accelerate and activate the investments necessary to reach a future state where everyone everywhere has reliable access to CFE. CEBI's NextGen CFE Initiative research indicates that there are various ways to enhance market-based accounting in order activate the introduction and procurement of new CFE procurement solutions.

The current GHG Protocol guidance is currently missing guidance and/or lacks sufficient clarity on how to credibly account for: 1) granular time and location data and market instruments (e.g., Granular Certificates as per the EnergyTag Scheme Standard for hourly energy attribute certificates), 2) all CFE generation resources, 3) storage and other complementary technologies (e.g., clean hydrogen), and 4) standard delivery of utility-supplied clean energy. Addressing these points will enhance accuracy and transparency, and help more customers achieve their next generation CFE

objectives, as specified earlier. Furthermore, Recommendation 1 will enhance completeness by enabling energy customers to gain access to an expanded menu of CFE procurement options and better account for the impact of their voluntary procurement. This will help hasten and scale investments in the full suite of CFE technologies necessary to deliver a decarbonized grid.

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.

Insofar as electric grid decarbonization is imperative to reducing global emissions and investments are necessary to achieve systemic grid decarbonization, energy customers and the voluntary markets where they engage are essential to complementing policymaker action. Customers' CFE procurement increases revenues for CFE resources by billions of dollars every year—enhancing the financial investment case for these projects when compared with non-CFE resources. The additional revenue that EAC sales generate allows CFE resource developers to reinvest revenue in new projects, reduces investment risks, and creates a larger pool of money that expands capital availability for more investments. This cycle has a snowball effect, enlarging the clean energy ecosystem and increasing political will (since policymakers can point to private sector validation)—all essential to the investments necessary to keep global warming below 1.5°C.

More specifically, CEBI's Recommendation 1 promotes the latest climate science and goals in four ways:

1. We need more investments in a full suite of CFE technologies to decarbonize the electric grid and reduce power sector emissions.

2. Customers, whose voluntary procurement provides billions in additional annual revenue that hastens and scales CFE resource investments, want solutions that help them better optimize the decarbonization impact of their CFE procurement and need greater clarity around how to account for all CFE technologies and more granular data.

3. Updates to market-based accounting should maintain the consistency and comparability of all megawatt-hours (MWh) of CFE in voluntary markets while promoting more granular data to inform decision-making around which CFE procurement solutions a customer may transact. One MWh of CFE is, like any other MWh of CFE, carbon-free—and any procured MWh of CFE is reflected in an EAC. Carbon-free EACs, delivered to customers through both bundled and unbundled options, are the currency of grid decarbonization because they create a product that energy customers can buy to both achieve their organizational clean energy goals and help deploy more CFE resources to the grid. By capturing five key new attributes on EACs—hourly timestamps, grid carbon intensity stamps, tags

for all CFE generation and complementary technologies, tags for storage events for co-located storage plus CFE generation facilities, and tags for social, community, and ecosystem credentials—will enable customers to better target and hasten investments in CFE resources in the most carbon-intensive places and times.

4. By clarifying how to account for an expanded menu of CFE procurement solutions that include all CFE technologies and more granular data, customers can more effectively discover, transact, and verify their procurement of CFE in ways that optimize for decarbonization impact—driving new, more powerful and targeted market signals for investments in CFE resources in the most carbon-intensive places and times.

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: CEBI's Recommendation 1 would help empower customers to discover, procure, verify, and account for next generation CFE procurement solutions. In other words, by expanding the GHG Protocol to include all CFE generation resources and complementary technologies and clarifying the use and prioritization of more granular data, customers will gain new tools and incentivizes to procure CFE that sends more targeted, powerful market signals for investments in the times and places that need it most to deliver systemic grid decarbonization.

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 four parts of CEBI's Recommendation 1 accommodate and are accessible to all organizations globally and promote the expansion of voluntary markets where any organization can engage on a voluntary basis, transact CFE through diverse offerings, and verify procurement through EACS in order to play their essential role in hastening and scaling global investments in grid decarbonization.

More specifically:

CEBI's Recommendation 1a would require mainly an updated hierarchy of emission factors and creation of new data hierarchies to guide users on selecting electric load and CFE generation data types, but would not necessarily require new calculation methods. Over time, as more granular data and granular certificates (GCs) become available in a more consistent format across markets, this will generate more complex datasets, which may require customers to execute additional and potentially more extensive analysis to evaluate and make use of these datasets. By promoting greater use and prioritization of granular data through a hierarchy, this accommodates for varying data availability across geographies and contexts. CEBI is leading various efforts to promote access to more granular and consistent data because customers can only use and prioritize the most granular data possible if they have access to it. This is why Recommendation 1a focuses on requesting clarity about the position of more granular data and GCs within the existing emission factor hierarchy without requiring their use.

CEBI's Recommendation 1b would not require any updated calculations, but rather clarity that all CFE generation resources are equally carbon-free. Good practice would simply entail that EAC issuing bodies and registries add a tag for all CFE generation resources, not just renewable energy generation resources.

CEBI's Recommendation 1c may require new calculation methods around how to specifically account for any differences associated with procurement of battery-stored CFE, clean hydrogen, and other complementary technologies compared—where in all cases an EAC is necessary to substantiate claims. Good practice would require that EAC issuing bodies and registries add a tag for storage-related events that are connected to the associated CFE generation resource in order to provide end-to-end traceability.

CEBI's Recommendation 1d would likely require clarification on how best to account for utility-led decarbonization efforts and ensure that customers retain the ability and incentive to transact CFE in a verifiable way. CRS has already done some work in this area that could be used as a starting place (see CRS' Accounting for Standard Delivery Renewable Energy).

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

The main drawbacks to CEBI's Recommendation 1 is that Recommendation 1a in particular will generate larger, more complex datasets that may require customers to engage in new, additional analysis and administrative effort to execute and use. Recommendations 1a, 1b, and 1c enhance accuracy, transparency and completeness and should be more straightforward to implement. Recommendation 1d will enhance accuracy, and be more in line with how the grid operates, and can build off existing research and stakeholder work that Center for Resource Solutions (CRS) has implemented.

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

Yes: CEBI's Recommendation 1 promotes the use of market-based instruments to enable customers to make verifiable claims about their CFE procurement and proactively support complementing policymaker action for grid decarbonization. In sum, this recommendation further empowers customers to achieve and report on their verified decarbonization measures in financial reporting (e.g., the United State Securities and Exchange Commission), trade-related tariff compliance (e.g., the European Union's carbon border adjustment mechanism), etc.

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.**

Please consider the following resources that informed CEBI's Recommendation 1:

CEBI's Next Generation Carbon-Free Electricity Procurement Activation Guide, which specifies the ways to evolve the voluntary market system—namely, through enriched EACs, more granular and consistent data, updated customer leadership programs, and enhanced greenhouse gas accounting—to expand the menu of CFE procurement options available to customers to send more targeted, powerful market signals and optimize decarbonization impact: https://cebi.org/wp-content/uploads/2022/10/Community-Guide_Oct31st_v1.pdf

CEBI's Guide to Sourcing Marginal Emissions Factor Data: https://cebi.org/wp-content/uploads/2022/11/Guide-to-Sourcing-Marginal-Emissions-Factor-Data.pdf

CEBI's 101 overview about why EACs are essential to functioning voluntary markets: https://cebuyers.org/blog/with-enhanced-energy-attribute-certificates-energy-customers-can-use-their-voluntary-procurement-to-send-more-powerful-and-targeted-market-signals-for-systemic-grid-decarbonization/

RECS International's annual growth of global voluntary clean energy markets in the US, Europe, and international markets: https://recs.org/app/uploads/2022/10/REC22078_Annual2021-FINAL.pdf

CEBA's U.S. CFE capacity additions enabled by customer CFE deals: https://cebuyers.org/deal-tracker/

BloombergNEF's research on energy transition trends and the role of the private sector in energy transition investments: https://assets.bbhub.io/professional/sites/24/Energy-Transition-Investment-Trends-Exec-Summary-2022.pdf

Allied Market Research's research on the billions of dollars in additional revenue that customers provide: https://www.alliedmarketresearch.com/renewable-energy-certificates-market

Sol Systems publication about the role that EACs play in terms of additional revenue in the revenue stack generated by CFE resources: https://www.solsystems.com/reimagining-rec-markets/

Lawrence Berkley Labs' research on the interwoven, complementary relationship between policymaker action and customer action: https://eta-publications.lbl.gov/sites/default/files/rps_status_update-2021_early_release.pdf

International Energy Agency's How customers' procurement complements policymaker action: https://iea.blob.core.windows.net/assets/4a07d1b5-1beb-4611-874d-7acd4f21d9eb/AdvancingDecarbonisationthroughCleanElectricityProcurement.pdf

CRS Accounting for Standard Delivery Renewable Energy: https://resource-solutions.org/document/030921/

WattTime's research on accounting for decarbonization impact: https://www.watttime.org/app/uploads/2022/09/WattTime-AccountingForImpact-202209-vFinal2.pdf

REsurety's research on Scope 2 accounting and driving the next phase of grid decarbonization: https://resurety.com/wp-content/uploads/2022/10/Making_It_Count_White_Paper.pdf

Green Strategies and The NorthBridge Group report, supported by Clean Air Task Force, about corporate CFE procurement and GHG accounting: https://www.greenstrategies.com/new-white-paper-on-corporate-clean-energy-procurement-and-ghg-accounting/

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

In 2022, CEBI formed a community of 100+ energy customers, solution providers, and voluntary market system stakeholders as part of our NextGen CFE Initiative. CEBI convened a dozen total workshops as well as numerous small group meetings and 1:1 calls to develop robust guidance about how to evolve the voluntary market system and activate the future of clean energy procurement. CEBI's complete NextGen CFE Procurement Activation Guide is available online via https://cebi.org/wp-content/uploads/2022/10/Community-Guide_Oct31st_v1.pdf.

More specifically, CEBI convened seven workshops (of the total 12 NextGen CFE Initiative workshops) and small group meetings representing diverse organizations and perspectives in 2022 about how to update the GHG Protocol to better motivate and reflect verifiable implementation of next generation CFE strategies. In our most recent workshop in December 2022, CEBI polled the 45+ participants and received high overall support for Recommendation 1: each sub-recommendation received a support from 75-80 percent of the 45+ polled participants and only received a mark of general disapproval among 2-8 percent of polled participants.

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

CEBI expects that the proposal summarized in this recommendation, along with the additional and separate recommendations CEBI is submitting to the GHG protocol, would help expand the global participation in CFE markets while in parallel further motivate customers to optimize the

decarbonization impact of procurement decisions—hastening greater volumes of grid decarbonization investments and directing these investments to the places and times that are the most carbon-intensive.

It is also worth noting that, after years of groundwork to create voluntary markets in Asia, Africa, the Middle East, and Latin America, there are now 55+ developing countries issuing I-RECs and that there is rapid growth in these markets: issuance of I-RECs grew by 124% in 2021 compared to 2020 levels, and by July 2022, that number was greater than the whole of those issued in 2021. This is helping to accelerate global CFE deployment and create voluntary markets in dozens of countries. The introduction and growth in I-REC markets is also happening in parallel to and complementing efforts by those like the U.S. State Department's Clean Energy Demand Initiative to promote regulatory changes that further expand the menu of CFE procurement options to include, for example, bundled options for large customers.

CEBI encourages the GHG Protocol to apply the following three principles to all updates being considered and implemented:

Guiding Principle #1: GHG Protocol updates should help expand CFE procurement options for energy customers rather than narrow them.

Guiding Principle #2: GHG Protocol updates should encourage ambition without unduly limiting options for energy customers given their diverse skillsets, resources, and geographic dispersal.

Guiding Principle #3: GHG Protocol updates should maintain yet enhance the momentum of the current voluntary CFE procurement market—enabled by market-based accounting—that is demonstrably complementing policymaker action in decarbonizing the grid.

Also, if the GHG Protocol finds that more research is needed to adequately understand the implications of updates to the market-based method, particularly in terms of whether these updates would accelerate or hinder the deployment of CFE resources on electric grids across the globe, then CEBI encourages the GHG Protocol to initiate a research process that gathers expert analyses and the perspectives of customers that are setting and executing CFE procurement strategies.

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.