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

Name

Doug Miller

Organization

Clean Energy Buyers Institute (CEBI)

Email address

dmiller@cebuyers.org

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 3 Standard, market-based accounting approaches

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 proposal in our Recommendation 3 herein providing rationale and guidance on how to enable customers to procure carbon-free electricity (CFE) on behalf of their value chain partners to decarbonize their electricity-based value chain emissions.

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.

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

Energy customers want an expanded menu of CFE procurement options that help them better achieve their objectives, optimize the decarbonization impact of procurement, and verify their impact for reporting and claims.

The current Greenhouse Gas (GHG) Protocol guidance is currently missing guidance that encourages and reflects voluntary action by customers that procure CFE on behalf of their upstream and/or downstream value chain partners. There is an opportunity to empower customers to procure CFE representing the measured or estimated electricity use of their value chain partners in order to reduce Scope 3 greenhouse gas emissions. The absence of information in the GHG Protocol detailing the acceptance and application of market-based instruments—namely, energy attribute certificates (EACs)—currently hinders and discourages customers from taking Scope 3 action that can advance systemic electric grid decarbonization.

As detailed in Recommendation 1, customers have eight objectives for next generation procurement, where one of these objectives is the ability to procure CFE and apply the resulting EACs to the electricity-based emissions across a given customer's value chains. Among the various market evolutions defined in CEBI's NextGen CFE Procurement Activation Guide, one of the most important updates necessary to the GHG Protocol is clear acceptance about the application of EACs to cover the measured or estimated electricity of a given customer's value chain partners.

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

In this Recommendation 3, CEBI recommends that the GHG Protocol should extend the use of EACs to decarbonize the measured or estimated electricity-based components of an energy customers' Scope 3 greenhouse gas emissions on an annual basis.

By extending to Scope 3 the use of EACs and market-based accounting framework for carbon-free electricity (CFE) procurement currently used for Scope 2, this will encourage and enable customers to take verifiable action to decarbonize the electricity-based components of their value chains. This change would unlock tremendous voluntary CFE demand and, through the resulting new revenue for CFE resources, further accelerate grid decarbonization investments globally.

This means that energy customers should be able to assign and apply an EAC to a given MWh in their value chain to decarbonize the emissions from that MWh—reducing the emissions from that MWh to zero in a given customer's annual Scope 3 greenhouse gas inventory. To maintain accounting integrity, a given value chain partner can only claim Scope 2 emission reductions from customer's CFE procurement on their behalf if the customer allocates the EACs to that specific value chain partner based on its measured or estimated electricity use. Good practice, in line with the U.S. EPA's guidance, also calls for clear communication between customers and value chain partners to ensure a given partner knows if CFE has been procured on its behalf.

The Greenhouse Gas Protocol should clarify that the extension of EACs to reduce electricity-based emissions in Scope 3 includes Category 11 (Use of Sold Products) because this is a notable use case that customers want to decarbonize through CFE and could significantly increase global CFE procurement, particularly for customers with outsized Scope 3 emissions (e.g., web-based companies with global user base, EV manufacturers and charge point software providers, etc.).

For Recommendation 3, CEBI also recommends that the GHG Protocol integrates the same updates to Scope 3 as CEBI's Recommendations 1 and 2 focused on enhancing Scope 2: help expand the menu of CFE procurement options available to customers to reduce Scope 3 electricity-based emissions so they can send the most powerful market signals possible for investments in CFE resources deployed in the most carbon-intensive places and times. This means providing clearer guidance about how to account for the use and prioritize granular certificates and data (while not requiring the use of granular certificates and data), all CFE generation resources, storage and other complementary technologies (e.g., clean hydrogen), and grid carbon intensity of the MWh of CFE procured.

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 Recommendation 3 promotes all five core GHG Protocol principles for greenhouse gas accounting. This recommendation focuses primarily on how the GHG Protocol can reflect voluntary

action they take to reduce their Scope 3 emissions through the procurement of CFE on behalf of their value chain partners.

This recommendation has the potential to significantly expand global voluntary CFE markets by making it clear that customers can apply EACs to reduce the electricity-based components of their Scope 3 emissions and clarify how they can account for this action in their greenhouse gas emission inventories. By addressing this roadblock to Scope 3 decarbonization action, the GHG Protocol would empower more customers to procure CFE on behalf of value chain partners and unlock greater CFE demand, resulting in further acceleration to grid decarbonization investments. Many customers have disproportionately larger Scope 3 emissions compared to their Scope 2 emissions, so there is a tremendous opportunity to scale global CFE demand by providing clarification about the application of EACs to the electricity use across a customer's upstream and downstream value chain. This will unlock latent CFE demand by providing customers the ability to procure CFE on behalf of their suppliers and/or customers to achieve their respective goals, create new value propositions to their customers, address stakeholder concerns, and fulfill regulations (e.g., U.S. SEC and similar carbon disclosures) and international trade schemes (e.g., EU carbon border adjustment mechanism, known as the CBAM).

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, according to research on EAC revenues by those like Allied Market Research and EAC transaction volumes by those like RECS International and CRS, together 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.

CEBI's Recommendation 3 promotes the latest climate science and goals by enabling and encouraging customers to procure CFE on behalf of value chain partners and, as a result, increase global demand for CFE and associated revenue potential. In other words, Recommendation 3 would unlock a new

source of revenue that can further increase the financial prospects of CFE resource investment and, by also addressing Recommendations 1 and 2 for Scope 2 updates into Recommendation 3 for Scope 3 updates, enable customers to send the most powerful market signals possible for deploying more CFE in the most carbon-intensive places and times—advancing systemic grid decarbonization.

Good practice for CFE procurement on behalf of value chain partners' electricity should integrate existing good practices for CFE procurement in Scope 2 and leverage anticipated enhancements to Scope 2 resulting from the present GHG Protocol updates process. For example, a customer that procures CFE on behalf of a supplier located in Country X will likely procure CFE on behalf of that same partner in Country X to spur CFE demand in that country. However, the customer should not be required to procure CFE in that location if, for example, there are insufficient procurement options available in Country X or (following CEBI's Recommendation 2) if the customer decides to procure in Country Y because procurement in Country Y delivers greater avoided emission impact.

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 3 would help empower customers to take action addressing their value chains through the procurement and allocation of EACs to cover the electricity-based emissions of value chain partners. As a result, this recommendation would make it easier for energy customers to take action to reduce their Scope 3 emissions and simplify verification of this decarbonization in reporting provided to their own customers, investors, regulators, and other stakeholders.

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?

To implement Recommendation 3, the GHG Protocol would not have to develop any notable new data or calculation methods than what is already specified in Scope 2 (beyond the new data and

calculation methods CEBI proposes exploring further in Recommendations 1 and 2). Recommendation 3 is simply focused on extending the same market-based frameworks from Scope 2 to include Scope 3. However, to inform and promote voluntary action around Scope 3 emission reductions, it would be helpful for the GHG Protocol to provide guidance (including suggested information and data repositories) to estimate the electricity use of different value chain components given the challenge of gathering measured electricity use data from value chain partners.

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

Since Recommendation 3 only considers the electricity-based components of Scope 3 emissions, this recommendation may not enable energy customers to fully decarbonize their Scope 3 value chains. The Greenhouse Gas Protocol should consider extending the use of market-based instruments (i.e., EACs) to other fuel types outside of electricity so that there becomes a means and incentive for customers to procure emerging zero-carbon or lower-carbon fuels and deliver a traceable audit trail to document the associated environmental attributes and make verifiable claims.

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 3 promotes the use of market-based instruments to enable customers to make verifiable claims about their CFE procurement and proactive support complementing policymaker action for grid decarbonization. This recommendation would also incentivize customers to take new voluntary action to decarbonize the electricity-based components of their value chains and reduce their Scope 3 emissions—empowering customers to achieve and report on their verified decarbonization measures 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 3:

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

United State Environmental Protection Agency's Renewable Electricity Procurement on Behalf of Others: A Corporate Reporting Guide: https://www.epa.gov/system/files/documents/2022-05/renewable_electricity_procurement.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 participants and received high overall support for Recommendation 3: over 75% of 35+ poll participants indicated general support for extending market-based instruments and the market-based method to Scope 3 accounting.

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.

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.