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*.

Respondent information

Name

Craig Love

Organization

Scottish National Investment Bank

Email address

craig.love@thebank.scot

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.

This proposal related to the Scope 3 emissions, both in relation to the Corporate Standard and Scope 3 standard.

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

Scope 3 emissions remain one of the most difficult areas to fully quantify, particularly for the majority of companies, local authorities and governments and are likely to far out-weight those emission sources associated with Scope 1 & 2. Thinking differently about the way we measure our influence over Scope 3 sources, could lead to a far greater impact in managing these emissions rather than accounting.

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

Scope 3 emissions remain one of the most difficult areas to fully quantify, particularly those out-with your operational control, however for most companies, local authorities and governments, they are likely to far out-weight those emission sources associated with Scope 1 & 2. Thinking differently about the way we measure our influence over Scope 3 sources, could lead to a far greater impact in managing these emissions rather than accounting.

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

Ensuring clarity of emissions which will be captured for reporting purposes is essential, however globally, we can no longer ignore emission sources which may be not classed as part of a reporting footprint for the corporate standard, or difficult to obtain under the Scope 3 Standard.

To fully consider your global impact, emission sources should no longer be classed as being emissions as being “out of scope”. While the majority of organisations around the world do report on certain areas of Scope 3 which they can easily obtain data, i.e., business travel, other elements may not be reported due to the complexities associated with them.

This proposal seeks to address these limitations from both a short term and longer term perspective, seeking to influence and support our service providers, partners, supply chain and stakeholders in addressing their emissions, particularly as they may consume resources on a large scale (Natural, Material and Human.

Therefore, I propose an additional Scope to boundaries which aims to manage those indirect emissions, which are not identified as part of reporting carbon footprint - Scope of Influence or Scope ‘i’, which is defined below:

- Scope 1 - direct emissions from owned or controlled sources,
- Scope 2 - indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed,
- Scope 3 - all other indirect emissions that occur in a company's value chain identified as part of our corporate functions,

• Scope ‘i’ (Scope of influence) – indirect Scope 3 emissions associated with service providers, partners, supply chain and stakeholders, which do not form part of a company’s operational functions, may not control and are not currently quantified as part of a boundary footprint; however have capacity to influence their processes and actions.

Establishing an enhancement to support the Greenhouse Gas Protocol’s “emissions scope” definitions to establish a Scope of Influence (Scope i), could remove the need to identify sources as being out of scope and provide a conduit to understanding the influence you have over your stakeholders and supply chain without the need to:

1. Take of the quantification burden or reporting for emissions you may not control, and,

2. Define an emission source as being out of scope.

Scope ‘i’ emissions are too complex to generalise. Our network of partners and stakeholders have different operational purposes, with supply chain demands varying widely between organisations, companies, products and processes.

To fully understand the level of influence over the emissions associated with our Scope ‘i’, it will be essential to examine and understand these sources. This will require engagement across companies and stakeholders in the form of a Scope i audit.

This audit would not only provide an understanding on the level of influence, but could also enable key decision makers to specify, through the development of business cases, procurement practices, contracts and engagement, future expectations, and to consider efficiencies that could be implemented in the journey towards a Net Zero world.

While quantifying emissions associated with our Scope ‘i’ may not be a priority in all cases, it will provide qualitative data on the level of influence which could be reported annually

The Scope i audit would be supported by a level of influence matrix and, which could inform the action you would undertake to manage these sources:

- High level of influence: e.g., set reporting parameters through procurement and contractual management,
- Intermediate level of influence: e.g., support the development of carbon management practices to enable,
- Low level of influence: e.g., engage with companies on climate change and the mechanisms used to combat and reduce its impacts.

Addressing Scope ‘i’ is challenging, particularly as it will feature emission sources may not fall within our partners’ own Scope 1, 2 and 3 emissions, with elements outsourced. This may require additional consideration, with carbon transparency a requirement for extended supply chains.

By engaging partners, stakeholders and supply chains to emphasise the importance of carbon transparency and potential carbon reductions throughout all processes, it will enable them to address perhaps some of the more difficult emissions sources.

Scope i should not be seen as a replacement for Scope 3, rather it is an enhancement. Reporting Scope i should be seen as a live process, which will morph over time. By setting a low level of influence over a source which may typically be scoped out of a boundary and/or not reported due to a lack of information, provides a conduit for engagement – in doing so, reporters could provide details on the importance of reporting emissions, which may allow stakeholder to mature their own processes, thus the level of influence has increased, due to a change in practices associated with your engagement.

Reporting a high level of influence could be viewed as a source which should be captured under Scope 3, however, depending on the use of a consolidation approach, reporting these sources may be difficult. Should a reporter define a source as a high level of influence, it provides a reporting mechanism for the processes put in place to ensure that emission reporting is at the highest standard. This also allows organisations to highlight reporting which may be undertaken by a stakeholder, but not quantified by said organisation.

Under the Scope 3 Standard, Scope i should be used as a pathway to full scope 3 reporting, as the level of influence matures, so does the level of reporting. A high level of influence should be reported as a full Scope 3 emission source within 18 months of being identified, thus ensuring the appropriate mechanisms are in place for reporting. An intermediate level of influence, should mature to full Scope 3 within 2 years and low level within 3, both working through the influence steps.

Should certain activities fall outside scope 3, Scope i can be utislised to provide transparency on these emission sources.

Under the corporate standard, Scope i should be used to provide qualitative information from across your stakeholders and supply chains which sits outwith a reporting boundary – similar to the scope 3 standard, the level of influence may mature over time and the steps put in place should be reported. However a requirement to quantify emissions will not be placed on the reporting company. Depending on the level of influence, the reporter will instead sign post reporting requirements which have been placed on Scope i and direct the “reader” to view standalone reports.

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

In my opinion, this proposal provides a reporting mechanism which would allow for a higher amount of transparency by a more complete and rounded set of information. While Scope i reporting may not in all cases quantify emission, it does allow for a qualitative approach to reporting and aligns with the decision making criteria.

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 does not deviate from the latest climate science or climate goals. All direct emission should still be reported, with Scope i only seeking to aid in the reporting of indirect emission sources associated with Scope 3, which either may be difficult to capture initially or sit out with a chosen reporting boundary.

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)?

This proposal allows for a more complete picture in GHG reporting, while it may not in all cases show direct accounting or quantification, it may inform future decision due to additional reporting mechanisms being put in place, with no source identified as being out of scope.

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?

In the case of the Scope 3 standard, Scope i, allows for progression in the development of appropriate reporting mechanisms, via the three steps of influence, this in time allows for the enhancement of reporting. Scope i, does not require new data methods, but does provide a process of reporting qualitative data over time, with a view to progressing into full Scope 3 disclosure.

This proposal could easily be adopted globally and should not be viewed as changing the GHG reporting process, but act as an enhancement.

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

A drawback could potentially be reporters using Scope i as a means to avoid reporting on Scope 3 emissions, thus why it is essential to define the timescales required for the Scope 3 standard and the importance of a defined boundary for the corporate standard.

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

The proposal aligns with the Task Force for Climate Related disclosures and the SBTi requirements for Scope 3 emissions and also acts as an enhancement for both.

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.**

I have undertaken discussions around the adoption of this concept with organisations in Scotland, however I cannot disclose these currently.

The effectiveness of this proposal could be tracked three fold – establish links with reporting frameworks to discuss adoption, undertake a multi-year trial with an organisation who use the Scope 3 standard, to view and understand the level of influence progression low, medium and high to full reporting.

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

N/A

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

This proposal outlines an enhancement to current reporting mechanisms, however this proposal should be viewed as the first steps in its development. I would be keen to work with the WRI on developing it further, particularly around expanded guidance and the influence matrix,

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.