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

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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 3 Standard and Scope 3 Calculation

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

General

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

Please see response to Question 4 for the problem statement and the proposed changes.

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

1. More prescriptive guidance on consolidation approach

The current Corporate Accounting and Report Standard ("The Corporate Standard") defines three consolidation approaches (equity share, financial control, and operational control) and allows companies to choose which approach to adopt. However, this may leave too much room for interpretation and create problems with double-counting for Scope 1 and Scope 2 emissions, which are supposed to be mutually exclusive for companies. The nuances between these approaches require further explanation, and their definitions must be reconciled with other accounting principles generally used by companies, such as financial accounting. Therefore, GHG Protocol needs to revisit the consolidation approaches and be more prescriptive in their guidance to ensure that the boundaries are well defined and the reporting process is consistent across different organizations.

2. Mandatory Scope 3 emissions reporting

The GHG Protocol Corporate Standard should require companies to report their Scope 3 emissions, particularly for those with significant value chain emissions. Aligned with SBTi's criteria, GHG Protocol should require companies with 40% or more of their emissions from Scope 3 to report their Scope 3 emissions comprehensively, using the screening or inventory method, and not just focus on the easiest categories. This would improve transparency and accountability of companies' emissions in their value chain and help identify areas for emissions reduction.

3. Detailed guidance on carbon offsetting instruments

The Corporate Standard needs to provide clear and detailed guidance on how companies should report on the use of carbon offsetting instruments, such as carbon credits and Renewable Energy Certificates (RECs), as well as make claims related to avoided or removed carbon. The guidance should establish specific criteria to refine reliable and verifiable carbon offset instruments to avoid any potential double-counting of emissions offsets and to help companies ensure that they are not making misleading or untruthful claims that lead to greenwashing accusations.

4. **Gradually phasing out the less accurate accounting approach such as the spend-based approach**

The Value Chain Standard needs to update the accounting guidance and eventually phase-out the less accurate spend-based method for emission categories that are material to companies. The EEIO spend-based approach has several limitations. Firstly, it yields results with a large margin of error due to frequent price fluctuations, high-level and generic product categories, uneven data availability across geographies and industries, and long time lags before emission factors (EFs) are updated. Secondly, the approach provides very limited insights on how companies can decarbonize and identify actionable reduction levers. According to IPCC guidance for national inventories[1], it is good practice to change or refine methods when, inter alia, the previously used method is insufficient to reflect mitigation activities in a transparent manner. In our experience, the spend-based method is insufficient for companies to prioritize and plan mitigation actions and track progress against targets.

5. **Separating abatement progress vs. improvement in measurement**

The Corporate Standard and Value Chain Standard should guide companies on how to distinguish between abatement progress and improvement in measurement so that companies can more consistently report on progress in emission reduction due to these two different drivers. Companies can achieve emission reduction through decarbonization initiatives such as technological and operational improvements. At the same time, reductions in emissions can also be achieved through a change in methodologies without any real climate actions, as companies obtain greater data availability, accuracy, and more reliable EFs. The Standard should provide clear guidance on how to report year-on-year changes, considering that changes in emissions can be due to either or both abatement progress and improvement in measurement, and in practice the two often occur in parallel. Clarifying how companies must account for methodological versus technological changes will enable companies to identify effective decarbonization strategies and accurately track their progress towards emission reduction goals.

6. **Ensuring consistency and reliability of EF sources**

[1] 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, 5.5: https://www.ipcc-nggip.iges.or.jp/public/2019rf/pdf/1_Volume1/19R_V1_Ch05_Timeseries.pdf

The Corporate Standard and Value Chain Standard should provide clear guidance for companies on how to ensure that the emission factors (EFs) used are up-to-date and reliable, and should provide guidance on how to review the consistency and reliability of EF sources. It is a common challenge for companies to choose which EF to use, as there are numerous sources to choose from, including databases, industry associations, government agencies, scientific literature, third-party service providers, and company or supplier-specific emissions. More guidance is needed to understand the relative accuracy of EFs that use primary data versus secondary data. Furthermore, there are often differences in EF values for the same activities/materials from different sources, and EFs are updated at different frequencies. The Standard can help companies by providing guidance on how to select appropriate EFs and how to report changes in emissions due to the change in EF sources instead of changes in business practices.

7. **Attributing emissions in a complex value chain**

The Value Chain Standard needs to provide more guidance on best practices for accounting for complex value chains. One common challenge is how to determine the percentage of emissions allocated to the buyer company when collecting direct supplier data. This is because one supplier may supply to different buyers which should be allocated a different proportion of the total emission of the supplier. Common methods for allocation include using operational data from segregated production lines or allocating emissions based on revenue or volume. The Standard should provide clear guidance on best practices for addressing these issues to ensure accurate and reliable accounting for Scope 3 emissions.

8. **Guidance on accounting for emissions from teleworking**

As remote and hybrid work models become increasingly prevalent, the Value Chain Standard needs to provide clear guidance on how to account for emissions from teleworking. This includes defining the minimum boundaries for reporting teleworking emissions and determining the appropriate accounting approaches. GHG Protocol should also re-examine whether emissions from teleworking should continue to be included under Category 3.7 Employee Commuting, as teleworking involves the use of company-provided equipment and resources and does not typically generate transportation-related emissions.

9. **Defining materiality threshold for minimum boundaries**

The Value Chain Standard needs to provide clear guidance on how materiality impacts the minimum boundaries for reporting emissions. For example, companies often exclude emissions from non-production related procurement such as office supplies and snacks when reporting Category 3.1 emissions as they are typically insignificant compared to production-related emissions like raw material purchases. By providing specific guidance on materiality considerations, companies can

better understand what to include and exclude in their GHG inventories, allowing them to focus their resources on measuring and reducing emissions that are most material to their operations.

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

Yes, the above proposal aims to improve the accuracy, completeness, consistency, relevance and transparency of GHG accounting and reporting in the following ways.

Accuracy: The proposal emphasizes the need for accurate reporting of emissions, particularly for Scope 1, 2, and 3 emissions. It recommends providing clear guidance on how to select appropriate emission factors (EFs) and how to review the consistency and reliability of EF sources. The proposal also calls for updating accounting guidance to phase-out less accurate methods, such as the spend-based approach.

Completeness: The proposal calls for companies to report their Scope 3 emissions comprehensively, particularly for those with significant value chain emissions. This would improve the completeness of companies' emissions reporting and help identify areas for emissions reduction. The proposal also suggests a clear definition of materiality threshold for minimum boundaries, ensuring there are solid grounds for any exclusion.

Transparency: The proposal recommends providing clear and detailed guidance on how companies should report on the use of carbon offsetting instruments, such as carbon credits and Renewable Energy Certificates (RECs), as well as make claims related to avoided or removed carbon. This would help companies avoid making misleading or untruthful claims that lead to greenwashing accusations. The proposal also calls for more guidance on how to distinguish between abatement progress and improvement in measurement so that companies can more consistently report on progress in emission reduction due to these two different drivers.

Relevance: By addressing key issues such as mandatory Scope 3 emissions reporting, separating abatement progress from improvement in measurement, and defining materiality thresholds for minimum boundaries, the proposal ensures the relevance of the company's emission reporting and provides useful data insights for decision-making.

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.

The proposal calls for more prescriptive guidance on consolidation approaches, mandatory Scope 3 emissions reporting, and detailed guidance on carbon offsetting instruments, as well as ensuring consistency and reliability of EF sources. By doing so, the proposal aims to ensure that direct and indirect emissions reported in a company's inventory accurately and comprehensively reflect their emissions to the atmosphere. This provides a solid foundation for companies to strategize their decarbonization pathways consistently with global climate goals.

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, as explained in Section A of this question, the proposal aims to improve the accuracy, completeness, transparency, and relevance of GHG accounting. These improvements would enable companies to better understand potential emission reduction opportunities and prioritize their efforts by focusing on areas of highest impact. Additionally, more transparent data can enhance stakeholder confidence in a company's accounting and better inform their decision-making.

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?

Yes, the proposal is grounded in the real challenges encountered when measuring GHG emissions for clients and Terrascpope's internal climate expertise. The proposed changes focus mainly on providing more detailed guidance, definitions, and refinement of the accounting approach. These changes take into account existing tools in the market that are practical and generally applicable across industries and geographies.

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

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

Yes, by suggesting gradually phasing out the less accurate accounting approach such as the spend-based approach, the proposal aims to improve GHG Protocol's alignment with IPCC Guidance. The Value Chain Standard ("The Standard") needs to update the accounting guidance and eventually phase-out the less accurate spend-based method for emission categories that are material to companies. The EEIO spend-based approach has several limitations. Firstly, it yields results with a large margin of error due to frequent price fluctuations, high-level and generic product categories, uneven data availability across geographies and industries, and long time lags before emission factors (EFs) are updated. Secondly, the approach provides very limited insights on how companies can decarbonize and identify actionable reduction levers. According to IPCC guidance for national inventories, it is good practice to change or refine methods when, inter alia, the previously used method is insufficient to reflect mitigation activities in a transparent manner. In our experience, the spend-based method is insufficient for companies to prioritize and plan mitigation actions and track progress against targets. Reference: 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, 5.5: https://www.ipcc-nggip.iges.or.jp/public/2019rf/pdf/1_Volume1/19R_V1_Ch05_Timeseries.pdf

8. **Please attach or reference supporting evidence, research, analysis, or other information to support the proposal, including any active research or ongoing evaluations. If relevant, please also explain how the effectiveness of the proposal can be evaluated and tracked over time.**

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

The proposal is grounded in the real challenges encountered when measuring GHG emissions for clients and Terrascpope's internal climate expertise.

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

Terrascope is an end-to-end decarbonisation SaaS platform that uses AI and an data- based approach to enable enterprises to measure and manage their Scope 1, 2 and 3 greenhouse gas emissions – an essential input for corporations to assess and disclose their climate transition risks and opportunities.

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.