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

Felipe Augusto Pereira Dias

Organization

MDCPAR S.A (MDC Energia)

Email address

felipe.dias@mdcenergia.com.br

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: “A Corporate Accounting and Reporting Standard”.

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

Accounting, through certificates, for the percentage of biomethane in the fraction of natural gas distributed in the network or delivered by other means.

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

Currently, the "Corporate Standard Survey Memo" does not establish a clear reference for accounting (in the form of a certificate of origin) for the fraction of biomethane/biogas that makes up the natural gas consumed by a particular organization. In countries like Brazil, for example, there are initiatives (such as GAS-REC) that allow tracking of biogas or biomethane from production plants through the supply chain to prove that the gas consumer appropriates the renewable part of the consumed gas. The current standard only allows for accounting of biomethane or biogas when it is used directly for its process, and it is not allowed to offset when consumption is made together with fossil origin natural gas. Acceptance of certificate use could stimulate the consumption of biomethane in markets such as Brazil.

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

Inclusion of a specific methodological item in the corporate standard to provide a way of accepting biogas/biomethane certificates for offsetting the % of renewable gas in the resulting fuel from blending with fossil-origin natural gas.

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

Some initiatives of this type are currently in use in several countries. Like the "I-REC" (International REC Standard), established protocols exist for accurately accounting for the percentage of biomethane/biogas present in the gaseous fuel traded by producers. Additional information about the GAS-REC method and certification process can be obtained on the website of "Instituto Totus" (a Brazilian organization). The internet address is:

<https://www.institutototum.com.br/index.php/servicos/412-certificacao-gas-rec>

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.

As can be seen in the document 'Technical Regulation - Biomethane Certificate', the methodology for accounting for biogas/biomethane through certificates is based on evidence of production, injection of biogas into a gas transport device, or eligible use during the period. It is up to the certificate applicant to provide factual evidence of production, injection, and use at the time of GASREC issuance decision, including calorific value. Further details can be found in the following documents:

https://www.institutototum.com.br/images/totum/arquivos/Regulamento_Biometano_rev8.pdf

https://www.institutototum.com.br/images/totum/arquivos/Regulamento_Biogas_rev8.pdf

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, this proposal would allow organizations to pursue more effective greenhouse gas (GHG) mitigation/decarbonization efforts compared to existing standards and guidelines. The use of certificates such as "GAS-REC," discussed previously, would be an additional option for organizations to convert a portion of their fossil-derived carbon emissions to renewable-derived carbon in their respective inventories. Certificates can be purchased by organizations to offset their harmful carbon emissions.

There would also be transparency for stakeholders, as information about certificates such as "GAS-REC," as well as "I-REC," are recorded and made available for public consultation.

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 apply the proposal, basically, the GHG corporate standard should accept that organizations convert into biogenic carbon the amount of carbon corresponding to the biogas/biomethane certificate after their retirement by the companies that hold these certificates. For example, if the company retires "10 tCO2eq" of certificates, the same amount of fossil-derived CO2 should be converted into biogenic CO2. No new methods would be necessary, as the offset could be made directly in the calculation tool. This proposal would accommodate and be accessible to all organizations worldwide that seek to account for and report their GHG emissions. Like I-REC, the certificates should be issued by specific and reliable institutions. In Brazil, there is already the "Totum Institute" that issues this type of document, as can be found on their website < https://www.institutototum.com.br/index.php/servicos/412-certificacao-gas-rec>.

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

The main challenge would consist of establishing which organizations would have the proper recognition to issue biogas/biomethane certificates, like what happens with "I-REC." Currently, I-REC has a global platform for certificate management, which is the responsibility of the Dutch company "I-REC Services." Something similar could be done for biogas/biomethane. In Brazil, these certificates are issued by the "Totum Institute." "In Europe, there are certification initiatives that are perfectly adaptable to other countries. Examples include the "ISCC" certificate, "RED cert,"Naturemade" etc."

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

Clearly, the adoption of biogas/biomethane certificates would be aligned with the achievement of carbon footprint reduction or neutralization goals by companies, which would have at their disposal another tool for emissions offsetting. The biogas/biomethane use certificates would be used to convert a percentage of fossil-derived emissions to biogenic, considering that part of the gaseous fuel consumed is composed of a fraction of biogas or biomethane.

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.

- ***Gas-REC references (Brazilian certification procedure)***

https://www.institutototum.com.br/images/totum/arquivos/Regulamento_Biogas_rev8.pdf (in Portuguese);

https://www.institutototum.com.br/images/totum/arquivos/Regulamento_Biometano_rev8.pdf (in Portuguese);

https://www.institutototum.com.br/images/totum/arquivos/FM.GREC.02.01.pdf (in Portuguese);

https://www.institutototum.com.br/images/totum/arquivos/FM.PART.00.01.pdf (in Portuguese);

- ***ISCC***

https://www.iscc-system.org/process/iscc-documents-at-a-glance/iscc-system-documents/

- ***RED cert***

https://www.redcert.org/en/

- ***Naturemade***

https://www.naturemade.ch/en/biogas-certification.html

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

- ***Abiogás (Associação Brasileira do Biogás);***

https://abiogas.org.br/

- ***Ecometano (Brazilian biomethane producer)***

https://ecometano.com.br/

- ***Brazilian GHG Protocol Program***

https://eaesp.fgv.br/centros/centro-estudos-sustentabilidade/projetos/programa-brasileiro-ghg-protocol

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

MDCPAR S.A. corporation registered with the CNPJ/ME under No. 08.597.656/0001-45, headquartered in the city of Salvador, State of Bahia, at Av. Tancredo Neves, nº 1.632, room 217, South Tower, Salvador Trade Center building, hereby represented in the form of its bylaws ("MDC"), hereby requests the Greenhouse Gas Protocol Program that its reference methodology be adjusted in such a way as to allow all consumers of natural gas, regardless of the logistical modality (road or pipeline), to use the biomethane certificate of origin as a normative means of proving the consumption of renewable gas in their operations and that it can be accepted for use in scope 1

direct emissions and scope 3 indirect emissions. The certificates are generated with the “book and claim” concept, in which the environmental attribute is dissociated from the physical molecule of the renewable gas. In this way natural gas consumers who do not have access to the physical molecule of a renewable gas will also be able to contribute to the reduction of anthropogenic fuel emissions through the acquisition of certificates.

We understand that, in addition to effective reduction actions, such as changing the energy matrix, the use of certificates of origin for biomethane is an alternative that can positively impact the reporting of GHG emissions, which is in line with the objectives established by the Program Greenhouse Gas Protocol. Acceptance of this certificate will help organizations in terms of sustainability (locally and globally) to meet their goals in a correct, safe and traceable way.

We make this claim taking into account the existence of a globally recognized traceability standard which is the International REC Standard Foundation (I-REC) and which follows the same concepts as the biomethane certificate of origin. The I-REC standard is recognized by major reporting frameworks such as the Greenhouse Gas Protocol (GHGP), CDP and RE100 and is very similar in concept and structure.

REC is the acronym "Renewable Energy Certificate" or Renewable Energy Certificate, are instruments that enable end users of energy to make reliable statements about the use of renewable energy. The i-REC is a tradable instrument that represents the ownership of the renewability attribute of a certain previously registered generation of renewable electricity. A REC is created for each megawatt-hour of renewable energy that is injected into the electricity grid of a given country or region. In markets where the REC instrument exists, as in Brazil, electricity can only be considered renewable if the organization making such a claim has the REC. As energy production and distribution comprises energy generated from both renewable and non-renewable sources, and physical energy cannot be traced, the REC is the globally adopted way for consumers to make credible claims regarding renewable energy consumption.

We request the adoption of a standard/concept like the I-REC for the certificate of origin of biomethane. Thus, consumers will be able to claim the use of the renewable molecule and report their emissions as biogenic in their annual inventories, for the same portion of energy corresponding to the amount of certificates of origin for biomethane purchased.

This certification tracks the biomethane generated and distributed in Brazil, reaching the point of consumption through a “book and claim” system, that is, inputs and outputs, without necessarily following the physical flow. Biomethane origin certification will allow consumers to claim the use of renewable gas in their operations and will be able to report in their annual emissions inventory.

The MDC remains at your disposal to present additional clarifications or prepare additional manifestations if deemed necessary.

Respectfully,

Manuela Larangeira Kayath
Chief Executive Officer
MDCPAR S.A

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.

Rio de Janeiro, March 13, 2023.

A/C: Greenhouse Gas Protocol – GHG Protocol

Subject: Considerations regarding the acceptance of the Biomethane certificate of origin in the GHG inventory reports for scope 1 (direct emissions) and scope 2 (indirect emissions).

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Respectfully,

Manuela Larangeira Kayath
Chief Executive Officer
MDCPAR S.A

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Assinaturas

Manuela Larangeira Kayath
Assinou como representante legal em 13 mar 2023 às 16:37:24

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