



## **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

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

Appropriate purpose of the Corporate Standard

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

A current problem is that users assume/expect that the Corporate Standard is appropriate for multiple purposes for which it is not appropriate. The Corporate Standard is appropriate for:

- a. Establishing a set of emission sources/sinks that the company takes responsibility for
- b. Setting reduction targets

And it is either less appropriate or not appropriate for:

- a. Identifying climate-related risks and opportunities
- b. Quantifying the consequences of interventions, including those aimed at reducing emissions

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

The proposed change is to include new text within the Corporate Standard to:

- a. Explain the purposes that the Corporate Standard is appropriate for
- b. Signpost users to other methods/standards/guidance for other purposes

For example, for estimating exposure to climate-related risk and opportunity users could be directed to TCFD; for quantifying the consequences of interventions, especially those aimed at reducing emissions, users should be directed to consequential/intervention-type methods such as the GHG Protocol for Projects or the GHG Protocol Policy and Action Standard.

**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<sub>2</sub> removals: Conservativeness, Permanence, and Comparability if relevant

The proposal is primarily concerned with the principle of ‘relevance’ as at present users are applying the Corporate Standard to inform decisions, although the Corporate Standard is not sufficient for this purpose.

E.g. users incorrectly assume that a high scope 1, 2, and 3 inventory total is an indicator of climate-related risk, whereas it is likely to be a weak or incomplete indicator. Similarly, users incorrectly assume that interventions that are shown to reduce emissions within the inventory boundary will achieve a system-wide reduction in emissions, whereas this is not necessarily the case.

In the interests of good decision-making users should be directed to methods that are appropriate for informing such decisions.

**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 requirement that ‘Reductions in direct emissions reported in a company’s inventory should correspond to reductions in emissions to the atmosphere’ is not achieved/achievable if an attributional GHG inventory is used on its own as any action that reduces direct emissions within the inventory may increase emissions outside the inventory boundary. The statement above exemplifies a misunderstanding of what the Corporate Standard is appropriate for.

The same point applies to ‘Reductions in indirect emissions reported in a company’s inventory should in the aggregate correspond to reductions in emissions to the atmosphere’. Attributional/inventory-type methods cannot ensure this outcome on their own.

The proposed change will support the achievement of global climate goals by directing users to appropriate methods for informing mitigation interventions/decisions.

**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)?

The proposal encourages organisations to pursue more effective GHG mitigation/decarbonisation efforts by directing users to appropriate methods for informing mitigation interventions/decisions, i.e. consequential/intervention accounting methods.

**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?

Methods for other purposes, such as assessing climate-related risk and opportunity, or quantifying the change in emissions/removals caused by an intervention, already exist and are applicable globally.

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

One challenge with the proposal to promote the use of consequential/intervention accounting is that quantifying system-wide changes in emissions can be complex and involve modelling choices that could be manipulated by reporting companies to overstate the reductions they cause (or understate any system-wide increases in emissions). For example, consequential/intervention methods involve quantifying change relative to a hypothetical baseline, and the selection of the appropriate baseline is often open to interpretation or manipulation. However, standards for undertaking consequential/intervention accounting already exist, and the accounts can be audited and validated (as for any other form of accounting) to assure the accuracy of the information disclosed.

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

The proposal would improve alignment with the aims of the Science-based Targets Initiative (SBTi)

by disincentivising actions that reduce emissions within the attributional inventory boundary but cause an increase in emissions outside that boundary (e.g. use of bioenergy).

The proposal would also support the appropriate use of the Taskforce for Climate-related Financial Disclosure framework.

**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.**

Supporting research for the proposal includes:

- Brander et al (2019). Coupling attributional and consequential life cycle assessment: A matter of social responsibility. [10.1016/j.jclepro.2019.01.066](https://doi.org/10.1016/j.jclepro.2019.01.066)
- Brander et al (2019). Attributional and consequential methods are both necessary for managing responsibility – Reply to Weidema et al. <https://doi.org/10.1016/j.jclepro.2019.04.307>

The effectiveness of the proposal can be evaluated and tracked over time via a number of indicators, including:

- a. Increase in reporting of actions that achieve system-wide reductions in emissions using consequential/intervention-type accounting methods.
- b. Decrease in the implementation of actions that are either unlikely to achieve system-wide reductions in emissions (e.g. purchasing non-additional energy attribute certificates), or unintentionally increase emissions outside the inventory boundary (e.g. use of bioenergy).

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

The proposal is based on discussions with stakeholders at:

1. Greenhouse Gas Management Institute
2. Stockholm Environment Institute

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

An additional point to note is that the proposal to direct users to consequential/intervention accounting methods is consistent with, but also extends, the current guidance within the GHG Protocol Corporate Standard which states that:

‘In cases where accuracy is more important, it may be appropriate to undertake a more detailed assessment of the actual reduction using a project quantification methodology.’ P59-60

And

‘These reductions may be separately quantified, for example using the GHG Protocol Project Quantification Standard, and reported in a company’s public GHG report under optional information in the same way as GHG trades described above.’ P61

## 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<sub>2</sub> 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
<b>Accuracy</b>	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.
<b>Completeness</b>	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.



<b>Consistency</b>	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.
<b>Relevance</b>	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.
<b>Transparency</b>	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.
<b>Conservativeness</b> (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.
<b>Permanence</b> (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.
<b>Comparability (optional)</b> (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.