

PROPOSAL FOR REVISIONS TO GOVERNANCE PROCESS FOR DEVELOPING STANDARDS AND GUIDANCE

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Respondent information

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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.

Greenhouse Gas Protocol: The Governance process for developing standards and guidance ("Governance Documentation")

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

This proposal provides feedback and recommendations to the GHG Protocol (GHGP) team on the governance process for developing standards and guidance, with a focus on ensuring a transparent and robust decision-making process.

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

Background

Members of the 3Degrees have participated in a number of GHGP's stakeholder processes, including the current TWG for the Land Sector & Removals Guidance. We understand that governance is top of mind for GHGP and value the development of publicly-available documentation from the GHGP team on its governance and decision-making structures. Many companies that measure their GHG inventory using the Corporate Standard have chosen to do so voluntarily. The authority and legitimacy of voluntary standards depends on robust and transparent governance processes. We also appreciate the unique challenges involved in coordinating a global, inclusive, multi-stakeholder process to develop approachable standards and guidance on highly technical topics.

Given the array of the potential topics that may be identified for further work following review of survey responses, we wanted to take this opportunity to provide feedback on the governance and decision-making process and make recommendations where additional clarity or additional governance structures would be beneficial. The breadth of the topics covered across the Corporate Standard and supplemental documents means that there are likely to be many more stakeholders than GHGP has historically had to manage at one time that will be interested in supporting the GHGP team in the workstreams it pursues. Successful stakeholder management will require that all stakeholders have a common understanding of the objectives of the process, their role in it, and the means by which the stated objectives are achieved.

Limitations and challenges of described governance approach

We have identified a few areas for improvement to the existing governance and decision-making approach. Our understanding of the existing governance approach is informed by the Governance Documentation published by GHGP and our recent experience participating in the TWG for the Land Sector and Removals Guidance.

- + **Stakeholders disagree on the objectives of GHGP Corporate Standards and Guidance.** There is disagreement as to the role of the GHGP Corporate Standards and related guidance. Specifically, whether its primary purpose is to be a standard for calculating inventory emissions, or if its primary purpose is to direct companies to pursue high ambition climate action. One contributing factor to this uncertainty is that there is room for significant interpretation within the GHGP's decision-making criteria. For example, stating that GHGP accounting approaches "shall align with the

latest climate science and global climate goals” and that the standard “should support ambitious climate goals and actions in the private and public sector” can be interpreted many different ways.

There is also ambiguity in the Accounting and Reporting principles that can lead to reasonable stakeholders arriving at very different conclusions as to how these principles should inform accounting and reporting approaches. For example, the principles of “accuracy” and “relevance” both include language on ensuring that quantifications appropriately reflect and accurately quantify GHG emissions, but also specify that thresholds for “accuracy” and “relevance” should be linked to meeting the decision-making needs of stakeholders. Since GHGP is a common baseline that is used for measuring emissions in many contexts, including assessing climate-related financial risk (e.g. SEC, CSRD, CDP) and measuring progress towards GHG reduction targets (e.g. SBTi, Net Zero), this creates a highly subjective assessment of the appropriate level of “accuracy” and “relevance”.

3Degrees’ view, and the one that we have used to inform our response to the surveys and development of supplemental proposals, is that the GHGP’s Corporate Standards and Guidance serve a primary purpose of providing a framework for calculating an organization’s emissions inventory. However, the Corporate Standard nonetheless defines what actions will be recognized as reducing emissions and therefore informs what actions will be pursued by reporting entities. GHGP must recognize this important role while also leaving room for other organizations, such as target-setting initiatives and financial risk assessment bodies, to decide how to leverage the standard for specific needs.

+ **Roles & responsibilities do not adequately clarify decision-making processes.** The roles and responsibilities of the Secretariat, Technical Working Group (TWG), and Advisory Committee (AC) are not adequately defined such that, in practice, it is not clear how and when decisions are made. The general overview provided in the document is helpful, but significantly more detail is needed for everyone involved in the process to be empowered to play their expected role and operate in an orderly way. Based on our experience in the Land Sector and Removals Guidance TWG, the following areas are in need of additional clarity:

- + **Secretariat responsibilities:** The Governance Documentation states that the Secretariat “retains the authority to make a final decision, guided by the majority viewpoint and the GHGP decision-making criteria and hierarchy” when the TWG and Advisory committee cannot reach consensus recommendations. There is a lack of clarity on when the TWG is deemed to have not reached a “consensus recommendation”, including whether the TWG or the Secretariat determines that discussion should end and the issue should be escalated to the Secretariat, and how the “majority viewpoint” is communicated to the Secretariat for decision-making purposes.
- + **Advisory committee (AC) responsibilities:** The Governance Documentation states that the AC is responsible for developing strategic guidance that is used to inform the TWG priorities, including guidance on

objectives and the scope of the standards/guidance, as well as guidance on the topics to be addressed by the TWG. This strategic guidance, or its role in decision-making processes, are not regularly communicated to the TWG during the process of developing standards and guidance.

- + **Technical Working Group (TWG) responsibilities:** It is not clear the process by which the TWG arrives at “consensus recommendations”, and whether those decisions are initiated before or after drafting text for designated topics. The process by which the TWG escalates a topic to the AC and Secretariat when a consensus decision cannot be reached, including how it provides the AC and Secretariat with options for review and recommendation, and the relevant advantages and disadvantages of each option, is also not clear. We appreciate that the Secretariat makes itself incredibly available to TWG members to discuss topics, but this can lead to a lack of transparency on the topics that are under discussion within the Secretariat and incentivize TWG members to pursue one-on-one conversations with the Secretariat to discuss key topics rather than pursuing discussions within the TWG. It is also not clear if there is value in TWG members convening separately from the full TWG meetings to align on recommendations, and under what circumstances the Secretariat would be willing to initiate a broader TWG discussion to explore these sub-group recommendations.

There is also a lack of clarity on why certain recommendations from the TWG are not incorporated into the Standard. For example, during the Land Sector and Removals Guidance development, there were certain topics where there was significant disagreement among TWG members, however no time was dedicated to meaningfully exploring these topics. When a “response to comment” was published alongside the final draft text, the response to the topics of disagreement was that “the topic had been discussed.” In order for those dedicating time to participate in the process to view any final decisions as credible, significantly more detail is needed on why certain recommendation(s) were not adopted. Not providing this detail can also lead to unproductive use of time and resources by the TWG and interested stakeholders. For example, if it is not clear *why* a specific recommendation was not incorporated, it can lead to continual outreach efforts in pursuit of the recommendation that are not directly addressing the issue that has led to the Secretariat pursuing a different approach in its final decision.

- + **Interested stakeholders / review group responsibilities:** There is a significant lack of clarity on how any individual not involved in the TWG or AC should engage with GHGP in its standards and guidance development process. It is not clear if TWG members are “discouraged”, “permitted”, or “encouraged” to communicate with and gather information from interested parties not formally involved in the process to bring these perspectives back to TWG discussions. There is also a lack of information available to the public on the development of standards and the decisions that have been made, which can incentivize stakeholders to seek participation in the TWG so that they can have

the most up-to-date information rather than to meaningfully contribute to the development of the relevant standards and guidance.

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

Recommended revisions to governance and decision-making

We recommend that GHGP further develop its Governance Documentation process before initiating any work streams. Before topical discussions within workstreams are initiated, it may also be appropriate to develop more specific rules of engagement for each workstream based on the objectives and strategic guidance provided by the AC. Essentially, everyone involved (including the stakeholders not directly participating in the TWG and AC) must agree to the rules of engagement and legitimacy of the decision-making processes **before** any actual discussions begin so that all stakeholders are committed to accepting the legitimacy of the final product(s).

Below we have outlined several revisions to the process in response to the concerns outlined under Q3 above.

- + **Further clarity is needed on Corporate Standard objectives.** We recommend that GHGP provide additional clarity on the objectives of the Corporate Standard, and how those objectives inform weighing trade-offs within the the decision-making principles and criteria. We also recommend that, as part of the development of strategic guidance provided by the AC, GHGP work with the AC to develop more specific interpretations of what the decision-making principles and criteria mean in the context of specific workstreams. Meaning, how do the objectives and strategic guidance provided by the AC relate to or inform the application of the decision-making principles and criteria.
- + **Clarifications and revisions are needed on the role of the Secretariat in decision-making.**
 - + **The Secretariat should clearly articulate and separate out its role in managing the TWG and its role in decision-making.** We understand that a member of the Secretariat leads each TWG. TWG members require clarity on when members of the Secretariat are acting in their decision-making capacity versus acting in their capacity as organizers of the TWG. We recommend that each TWG have a designated “co-chair” that works alongside the Secretariat representative to ensure the TWG perspective is being incorporated into any information being conveyed to the Secretariat.
 - + **The Secretariat should involve the TWG in decisions to escalate topics of disagreement.** The Secretariat should also provide significantly more transparency and direction on when a “consensus agreement” must be reached, allow the TWG to provide feedback on the options presented to the Secretariat when consensus has not been reached, and publish the options and

associated descriptions that were provided to the Secretariat along with the final decision.

- + **The Secretariat should develop much more specific feedback on why certain viewpoints or recommendations are not adopted.** Ensuring that those who contribute time, but whose recommendations are not ultimately adopted, acknowledges their contributions, cultivates legitimacy in the outcomes of the process, and generally ensures continued good faith participation and engagement GHGP.
- + **Clarifications and revisions are needed on the role of the AC in decision-making.** We recommend that the AC provide recommendations on how the decision-making principles and criteria should be interpreted given the objectives and strategic guidance it articulates.
- + **Clarifications and revisions are needed on the role of the TWG in decision-making.**
 - + **In line with recommendations on the role of the Secretariat, the TWG should be more involved in the decision to escalate an issue to the AC or Secretariat, and in the development of the options that are presented.** There should be clear timelines on when “consensus agreement” must be reached on a topic, and specific time ahead of this that is explicitly dedicated to arriving at a decision. In addition, making clear the deadlines for certain decisions within the TWG, and when decisions have been made by the Secretariat, would mark the end of certain discussions and encourage stakeholders to accept this decision and move onto the next discussion.
 - + **TWG members should be expected to make themselves available for stakeholder feedback.** This would be part of the time commitment that TWG members commit to, and interested stakeholders should be encouraged to connect with TWG members directly. There were several times during the Land Sector and Removals Guidance development process where interested stakeholders inquired as to whether they should send their thoughts on specific topics under discussion to the TWG as a whole, and it was not clear to me whether or not this would be welcomed.
 - + **GHGP should consider having at least some TWG meetings, if not all, open to the public as observers.** In these meetings, the TWG would either be the only group able to actively participate, or at least would be given priority during opportunities for discussion or to provide feedback. An example structure is the Oregon’s Department of Environmental Quality’s “Rulemaking Advisory Committees”. See the charter for a recent example here (<https://www.oregon.gov/deq/rulemaking/Documents/cpa2022acCharter.pdf>) (rulemaking webpage is here: <https://www.oregon.gov/deq/rulemaking/Pages/cfp2022.aspx>). The process also is in line with recommendation for TWG members to engage with external

stakeholders because it allows the public to hear TWG members and set up side conversations for deeper engagement on specific subtopics.

- + **Clarifications and revisions are needed on the role of interested stakeholders / the review group in decision-making.** GHGP should develop structures to keep the review group / interested stakeholders better informed on the decisions made in various workstreams. This could be by inviting these stakeholders to participate as observers for some or all TWG meetings, and/or to publish updates from TWG meetings that summarize decisions made and areas for further discussion.

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 CO₂ removals: Conservativeness, Permanence, and Comparability if relevant

3Degrees' proposal does not directly address accounting and reporting approaches.

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.

3Degrees' proposal does not directly address accounting and reporting approaches.

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)?

3Degrees' proposal does not directly address the accounting framework. However, our recommendations are aimed at developing a more transparent decision-making process, which ultimately will support the Corporate Standard's reach as a global framework to inform climate goals and action.

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?

3Degrees' proposal does not directly address accounting and reporting approaches.

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

N/A

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

Many initiatives in the corporate climate reporting and target-setting space rely on GHGP as the framework for reporting emissions. The ability of these organizations to rely on GHGP's accounting framework hinges on GHGP maintaining a robust and transparent governance process. This also means that any changes GHGP introduces will have ramifications for these initiatives, including target-setting initiatives and climate-related financial risk reporting.

- 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.**

N/A

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

This proposal is based on 3Degrees' experience participating in GHGP governance processes, discussions with other TWG members from the Land Sector and Removals Guidance, and discussions with clients.

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

N/A