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

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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.**

General/Cross-cutting

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

ERM is pleased to submit comments in response to the World Resources Institute (WRI) and the World Business Council for Sustainable Development's (WBCSD) request for stakeholder input on updates or additional guidance related to the GHG Protocol Corporate Accounting and Reporting Standard, Scope 2 Guidance, Corporate Value Chain (Scope 3) Standard, and supporting documents.

Our recommendations are meant to inform available guidance and to enhance the usability and utility of the tool.

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

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

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

A number of our proposed recommendations are aligned with / meant to address accuracy, completeness, and consistency in reporting.

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.

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 comments and suggestions provided are meant to enhance the GHG Protocol user experience. Our view is that further clarity and illustrations in the guidance will lead to greater and better use of the protocol.

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?

Our comments/suggestions are divided into 4 topics: (1) Scopes 1 and 2; (2) Scope 3; (3) Market-based instruments; and (4) Materiality/Disclosure. **Topic 1: Scopes 1 and 2** • <u>Treatment of biogenic carbon emissions</u>: Clarity is needed around the distinction between biogenic CO_2 vs other biogenic emissions (CH_4 and N_2O from biofuels combustion) in the

Scope 1 and 2 guidance – some clients automatically jump to "biomass is emission free". While one can articulate why this is, the guidance is silent on some important considerations.
    - There needs to be clear guidance on issues like how to account for the biogenic CO_2 in product intensities for example if we are now to report biogenic CO_2 separately, does that mean reporting of two product intensities (one for total CO_2e and another for fossil and biogenic emissions other than CO_2)
    - There is guidance from SBTi on what sources of biofuels are considered renewable. However, more clarity is needed on how to provide supporting documentation. Specifically, the SBTi Target Submission Form states that companies should provide justifications for why such sources are deemed renewable and, in the event biogenic emissions from biomass and biofuels are considered carbon neutral, the company much provide justification of the underlying assumptions (currently, there are no clear examples of how to do this).
- Green gas: According to CDP and SBTi, the reporting company must be physically receiving the biogas as well as be the party owning the certificates of carbon neutrality. There is no clear guidance from the GHG Protocol around the market for purchasing green gas credits and how to make decisions around inclusion in the inventory. For example, according to the EU Taxonomy Report, some landfill gas is not eligible depending on the date it is opened and other relevant criteria.
- Indirect impacts: The treatment of indirect GHG impacts, such as that from Hydrogen, due to its interactions in atmospheric chemistry, has a non-zero impact if released vs combusted.
- Attributes: On Scope 2, it would be good to see guidance and examples on using attributes that have been decoupled from the electricity production, grid connections, proximity, and temporality.
    - One client example is a direct connection to a third-party island generator using coal. The client wanted to understand why they could not use RECs from another region to claim renewable generation.
- Clients are increasingly using market-based instruments for Scope 1 (e.g. Green Gas certificates); however, there is no guidance within the Protocol on how to appropriately apply these within inventories. Using these certificates creates a "market-based Scope 1" figure that could fundamentally alter how companies plan to reduce emissions under their control. Like companies buying only green energy, it may become another instrument to artificially lower emissions without changing company operations/strategy.
- Carbon stocks reduction: It is not clear to many users that a carbon stock reduction (e.g., legal deforestation activity) are to be reported as emissions in scope 1. In general, more clarity on how to handle stocks change and the interplay with emissions and removals is needed.

Topic 2: Scope 3

- Boundaries: Scope 3 viewed through an operational control vs. equity share organizational boundary. For example, for any sector that has large equity investments in other operations that they do not have either operational or financial control over (quite common in O&G), then how this impacts the accounting for all the categories of Scope 3 is not adequately addressed within the GHG Protocol Scope 3 guidance. The *lack of specificity is confusing for O&G companies trying to assess all Scope 3 categories*.
    - The Protocol says that category 15 for investments should include the investments' Scopes 1 and 2 at a minimum, and Scope 3 if available. For O&G investments, Scope 3 is 10X higher than Scopes 1 and 2, so it becomes a *material issue as to whether*

Scope 3 for investments is included or not when reporting under operational control where NOJVs are captured in Scope 3 Cat 15.

- Accounting: More definitive guidance on *how to address double counting across the categories within Scope 3*, which is an issue for O&G companies, as their products are the source of emissions for many (most?) of the categories.
    - Further guidance is needed on how to deal with accounting for products that are produced by 3rd parties but sold by reporting company. Further clarity is also needed for products delivered by a reporting company but not sold, as in the case of a natural gas utility delivering gas marketed by a competitive supplier.
    - A guide on how to evaluate the quality and completeness of supplier data for companies should be available, and how to engage its supply chain in a meaningful and impactful way. The general idea amongst assurers and inventory developers is that granular supplier-based data is the preferred and most "accurate" data that can be used in GHG calculations. However, we have seen varying degrees of quality and completeness from suppliers, and a general lack of engagement from the supply chain. Clients struggle with weighing the investment to obtain supplier data with the end effect of using more granular data (depending on impact of supplier, may not be material changes in overall emissions).
- Application of market instruments (e.g. RECs) in Scope 3: There is no available guidance on whether this is a proper technique to reduce emissions from Cat 3: Fuel- and Energy-related activities category. More clients are trying to apply RECs to reduce this category – in particular, clients that are major energy producers or those that have a significant Scope 1/2 footprint. Through conversations with the larger ERM Climate team, we've determined that using RECs in Scope 3 is not admissible as it misuses the REC for a different market purpose, but the documented supporting evidence is not available/does not exist. These kinds of situations are increasingly prevalent where clients try to apply certain instruments for unintended purposes. GHG Protocol should outline in more depth the proper use of market-based instruments in Scope 3 reporting. See also the note around Book and Claim approaches in the section on Market-Based Accounting.
- Category 11 Emissions from the use of sold products: This proposal is related to the Scope 3 Standard and Calculation Guidance around the Use of Sold Products. Under this category, we see a range of practices applied around the boundaries and how far they extend through the upstream value chain. Additionally, due to the uncertainty around product use, eventual calculations can swing heavily based on the underlying assumptions that are used (e.g., product lifetime, power demand, etc.). Calculations in this category can also be inconsistent across reporting companies because the GHG Protocol currently states that 'indirect' use phase emissions are optional, leaving it up to the discretion of the company to determine if the emissions should be reported. The Scope 3 Standard also justifies exclusions of these downstream emissions in certain cases when, *'the eventual end use of sold intermediate products may be unknown.'* These instances are particularly relevant to organizations that sell a wide range of intermediate products (e.g., chemicals), ostensibly allowing organizations in certain areas to self-determine if downstream emissions are unknown to the point of not being calculated or if they should be optional.
    - Some companies refrain from reporting emissions from the use of sold products when the products are in a B2B chain, and the final consumer is not the direct client (e.g., the producer of natural gas does not account for emissions from consumption of the gas because the company is not connected directly to the consumer).

- We suggest the GHG Protocol adopts more explicit guidance around the approach that should be utilized for companies that sell products that are either indirect consumers of energy or where there is uncertainty on end use in a way that can be consistently applied across all sectors. The level of uncertainty currently in place for indirect use phase emissions calculations has the potential to distract from implementing more accurate emissions calculations and focusing on the source of the emissions themselves.
    - For example, let us consider a scenario for faucet manufacturers, whose products are a pass through for hot water. Right now, high level assumptions around average flow, starting and ending temperature of water, average time of use, etc. are used for such calculations, which lead to significant amounts of uncertainty around numbers that can be very high in magnitude. We suggest the primary focus in these instances should be on direct use phase emissions, as these are more easily quantifiable, and place the responsibility of reductions on the provider of that product (e.g., the hot water heater in this instance).

- Time series accounting: The GHG Protocol describes in its Chapter 5 how to correct the baseline year and time series on emissions from acquisitions and sales of operations. The Scope 3 guidance mentions that same corrections apply for scope 3 but little guidance is provided (more clarity on what is encompassed on insourcing and outsourcing is desirable). Adding more guidance and examples related to all scopes in the GHG Protocol Corporate Standard may be helpful.

Topic 3: Market-Based Accounting

- Double counting: The Protocols will be limited to what they can realistically broadly mandate, given commercial instruments and tracking of those instruments. Data availability is still an evolving space. The reality is that double counting exists in the collective market-based reporting. However, *a concise summary of "where available" leadership standards and best practices can help provide additional guidance for practitioners*, highlight areas of improvement, and continue to drive evolution of systems.

- Market boundaries: There is a *need for definitive guidance on market boundaries to drive consistency and advance the goals of the protocols*. This is particularly applicable for the use of environmental attributes, but the principles could also be extended to carbon offset use. The RE100 defines the US+Canada as a single market boundary, the EPA's Green Power Partnership (GPP) specifies US, and Green-e has tighter geographical boundaries for electricity products vs REC products. Green-e's electricity products also are reflective of connectivity. *Questions on grid connectivity and optionality are listed below to help inform further guidance.*
    - What is the importance of market boundaries on the degree of grid connectivity? How could the generation represented by the certificates influence supply to the load (due to grid balancing)?
    - The ease, availability, affordability, regulatory governance, and therefore access to zero carbon generation and environmental attributes varies by location. *The option of financial settlements in bundled PPAs along with stand-alone certificates are tools that can enable market-driven build of zero carbon generation. However, does this optionality hinder generation growth in areas of greatest need for support*?

- Grid balanced volumes and geographical reference: Paired with market boundary guidance, clarity is also needed on the appropriate geographical reference to use for grid balanced volumes when a supplier intensity or residual intensity is not available and a local grid intensity (as utilized for location-based) is referenced.
    - *Should the market boundary utilized for the commercial instruments redefine the geographical reference for "null power" intensity?*
    - *An overarching challenge with 100% true market-based accounting for many is still a lack of reliable and available residual intensity data*. The AIB is an exception due to the European Energy Certificate System (EECS). [The Protocols must recognize the varied availability status but could consider insisting adoption in regions that have a robust system such as the EU.] This also presents an advocacy opportunity for practitioners (e.g. North America tracking systems and the EPA work together to enable publication of a data set like the AIB's European Residual Mix as part of the eGRID).

- Annual reporting and vintage: *Vintage should be more prescriptive to commercial instruments applied within at least the same calendar year as the source generation period.* This also aligns with today's standard annual reporting. Reference to "issuance" may cause confusion based on the time delay of certificate issuance by tracking systems vs generation period (e.g. ERCOT issues certificates for 4Q generation in 1Q the following calendar year).
    - Currently, as with market boundaries, the only limitation on commercial instruments is the systems under which they are issued and tracked (e.g. ERCOT RECs have a three-year shelf life before they are expired by the system).
    - As data availability for other supply sources in the hierarchy and tracking systems for commercial instruments evolve, consideration should be given to need for / impacts of guidance on tighter temporal alignment.

- Value chains: *There are several sustainable energy value chains where a mass balance approach is likely to be needed*, for the reasons below. The GHG protocol may define that some of those are not allowed, based on the biomethane letter:
    - enable full exploitation of the resource, and therefore maximum GHG savings
    - enable those with a high willingness to pay today to fund development, even when geographically separated from the resource
    - avoid an incentive for transportation of products with associated costs and GHG savings
        - injection of biomethane into natural gas grids enables those with a willingness to pay to fund further biomethane production, which may not have a viable local market, and whose (wet) feedstocks are not transportable
        - low carbon liquid fuels for road, aviation and shipping, which can be blended into fossil fuels in comingled pipelines and storage
- Book and claim: This is relevant to the Scope 3 Standard and Calculation Guidance, as it is about an organization implementing emissions reduction initiatives within a company's own operations, and having customers claim the associated emissions reduction credits in their Scope 3 inventories.
    - The proposal follows a similar approach to how renewable energy credit (REC)/energy attribute certificate (EAC) systems currently operate. The implementation of emissions reduction initiatives by a reporting company and subsequent allocation of these reductions to customers so that customers can take credit for the reductions in

their own Scope 3 inventories. This topic is increasingly referred to as a 'Book and Claim' program. For companies, this can be related to initiatives they are implementing to reduce our Scope 1 emissions, decoupling the reduction from an associated credit, and then allocating the credit to customers Scope 3 based on the actual emissions reduction initiatives implemented.

- Even with GHG Protocol guidance, it will still be the responsibility of the organization to create a methodology that clearly outlines how these Book and Claim programs are implemented, including the calculation of the baseline GHG emissions, reductions, and allocation to specific customers. It will also still be the responsibility of the company to track low-carbon fuel and energy used and transparently communicate that with stakeholders. However, having approval of such programs formalized by the GHG Protocol will help to increase their adoption and drive cross-sector decarbonization.
- In these markets *the use of mass balance systems is already accepted in the industry*, with significant work having been done and ongoing to avoid double counting and fraud. *The issue is not just low carbon vs fossil*, as many of these fuels have different environmental attributes, with policy support varying accordingly, and so systems are already set up to allow these attributes to be verified and tracked to meet policy and customer requirements. *There is also work on some book and claim type systems e.g. for sustainable aviation fuel (SAF).*
    - We note industry doing the above 'book and claim' for SAF in order to report lower scope 3 emissions. *Clients are starting to ask about other products (e.g. green steel) – would it be acceptable for them to pay for green steel to be produced, which they don't physically use, and then report lower scope 3 emissions associated with their steel use?* If not, isn't this encouraging them to ship steel around?
    - The deviation from the accepted *"book and claim" elements of biogas* and bioliquids bulk production and distribution through existing channels *neither supports a client reporting of decarbonisation approaches nor low carbon products (such as renewable LNG).*
        - In some regions/jurisdiction the legislative approach would generally encourage/be based on these approaches with defined criteria. There also *needs to be clarity around how to best account for the circular component of waste derived, synthetic fuels and RFNBOs* in addition to bio-originated fuels.

Topic 4: Materiality versus Relevance/Disclosure

- A key aspect of building a GHG inventory is to determine what is relevant to the reporting organization and its stakeholders. The guidance outlines relevancy as an important principle on whether to exclude activities from the inventory – but materiality, a key issue in the assurance space, is only mentioned within the assurance section. However, materiality is a much larger issue that is rarely discussed outside the context of assurance but is important for inventory development.
- Our assurance standard, ISAE3000, refers to materiality in reference to potential misstatements (i.e. could be expected to influence relevant decisions of intended users taken based on the subject matter information), whereas the GHG Protocol guidance is leaning more towards relevancy. So while the standard uses some nice terminology, the context here will be important.

    - "Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information" (ISAE3000)
- GHG Protocol should emphasize that "relevance" is in the greater context of the sector (i.e. what we typically see as big contributing factors for reporting… e.g. stakeholders, regulations, risk) and influence (i.e. what are they able to mitigate and control). Potentially this is a distinction that should be mentioned / explained. Materiality would affect the efforts the company puts into the calculations and the GHG Protocol guidance should go in that direction.
- Another instance in which ISAE3000 references materiality and might be useful here [for example in section 2.4.1] that refers more to boundary:
    - "Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner's professional judgment." (Paragraph A96 – ISAE 3000)

Disclosure

- The proposal relates to multiple GHG Protocol Standards as it relates to disclosure. With increasingly detailed approaches to greenhouse gas inventories, having more examples of what and how to disclose, including potential ranges of emissions for certain categories will continue to provide clarity to disclosures and users of greenhouse gas data.
- In certain instances, the vagueness of the protocol can create inconsistencies around its application which in turn make quantification and comparison difficult. One specific example of how explicit guidance can help improve transparency is encouraging the disclosure of a range of emissions for a given scope or category.
    - As overarching assumption can have a large impact on calculated emissions. Explicitly stating that ranges can be disclosed may help companies be more transparent in disclosing assumptions and comfortable with the levels of uncertainty that are inherently part of GHG emissions accounting, particularly for Scope 3. This is especially relevant to downstream categories, where assumptions around the use phase are often utilized to understand category 11 impacts (e.g., range of lifespan, power and energy demand, use hours).

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

We do not see drawbacks and challenges associated with providing greater clarity in the use of the Protocol.

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

From a practitioner's perspective, the recommendations herein aim to promote greater clarity in guidance. We are not aware of any rules, programs, or initiatives that explicitly contradict the validity of our suggestions.

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.

Background / Contextualizing comments on Scope 2

- Scope 2 represents purchased electricity (and heat, although comments will focus on electricity). The *location-based methodology* therefore relies on the "technical" intensity of the local grid and is effectively *rooted in a concept of connectivity between generation source and load*. Clear guidance is provided on the location boundary for reporting.
    - For the US, the eGRID subregions are the appropriate reference. From the technical guide: "Using NERC regions and balancing authorities as a guide, the subregions were defined to limit the import and export of electricity in order to establish an aggregated area where the determined emission rates most accurately matched the generation and emissions from the plants within that subregion."
- Electricity generation creates two linked but distinct products, the energy and the associated attributes, which can be commercially unbundled (with the rights to each sold separately). *The market-based methodology removes the market boundary guidance of the location-based because environmental attributes are not physically limited in how the energy is by the grid.*
    - With the use of certificates to represent those attributes, the only true *constraints are based on the governance of the tracking systems* (e.g., eligible generation, certificate life) *and how they interface* (e.g., Europe's Association of Issuing Bodies (AIB), the North America tracking systems – reference M-RETS | REC Imports & Exports (mrets.org) for inter-system transfer constraints).
    - *Some program products or certification standards have established their own guidance, but there is no consistent standard*. For example, the difference between the RE100 and Green-e. RE100 defines the US and Canada collectively as one market boundary. Green-e specifies the generation source must show geographical proximity and grid connectedness, such as being from the same state, balancing authority, ISO/RTO, or NERC region as the load; the source can be neighboring, but it must be demonstrated that the electricity bundled with the RECs was wheeled into load's service area.
- Of note, the AIB has posted their survey responses: AIB-2023-EECSU-01-04c GHG Protocol update_AIB response_20230124.pdf (aib-net.org) Recognize that the *EU governance and systems are ahead of most if not all other regions* with availability of tools for market-based reporting.

- Some of our comments derive from working closely with industrial clients in the harder to decarbonise sectors (O&G, Power, Mining &Metals, process sectors). Those clients' emissions profiles and intensity can have a material impact on their business – those clients refer to/use the Protocol to demonstrate effective performance or generate product credentials to regulators, capital providers, and their value chain. From a GHG accounting perspective, such clients seek to clearly communicate and take credit for their decarbonization activities in a systematic, rules-based approach, with all parts of the GHG protocol being aligned with this and not creating perverse outcomes of "punishing" them for making positive decisions.

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

Worked collaboratively with our community of practitioners to leverage our industry insights to compile recommendations aligned with the intent of the survey. Participated in workshops on the GHG Protocol Standards update via the WBCSD Energy Pathway.

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

General Comments

- Inventories: There is confusion among clients about how to properly report offsets, which does not seem to be covered well under the GHG Protocol for corporate accounting. Specific scenarios that warrant further guidance are listed below.
    - Purchased offsets – how to properly account/report offsets (i.e., never netted from Scopes 1, 2 or 3, but rather reported separately ('below the line')
    - Sold offset credits – how to properly account for/report emissions that have been reduced in a company's Scope 1 but those reductions have been sold as carbon credits and retired by a third party as an offset.
- Hydrogen: Europe's requirements for green H2 from grid-supplied electricity address connectivity and temporal alignment / vintage. They are just one example of where regulatory and therefore customer product requirements are moving toward tighter alignment of supply sources. Production of renewable transport fuels – share of renewable electricity (requirements) (europa.eu)
- Reporting: given the realities and impacts of physical supply demand grid balancing, dual reporting of location-based emissions when utilizing the market-based methodology should be a continued requirement for transparency purposes. As local grid intensities are easily accessible from public sources, this should not be an onerous activity.
- Sub country references: additional regional or sub-country references should be provided for Canada and Australia. Canada's provinces have significantly different intensity factors (Canada Energy Regulator). Australia's disconnected grids warrant a regional versus country level reference (AEMO).
- Practical considerations: would the Protocol consider updating its detailed guidance and calculation templates, some of which are out of date. Clients may have looked at/followed these previously and may be looking for an update.
    - Clients need more guidance on how to draw its boundaries, and better/more granular criteria for determining whether tricky leasing arrangements (e.g embedded leases)

fall under its chosen consolidation approach. Currently, the guidance is too broad and is open to interpretation (e.g. how do you define risk and rewards?) and places all further questions on company accountants who has no background knowledge of GHG and tend to muddy the waters.

- GHG Protocol needs a clearer statement on consistency of boundaries across Scope 1, 2, and 3 - we have seen clients combine consolidation approaches and it can materially affect the outcome of total emissions (e.g. client uses equity share approach for Scope 1 & 2, but operational control for Scope 3. Changing Scope 3 to equity share causes 400% increase in Scope 3 emissions). We know, for example, that the SEC is looking for inventories to match with the financial filings, which often have a mix of approaches applied to the consolidation of financial assets.

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.