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

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

David Ahlem

Organization

Hilmar Cheese Company, Inc.

Email address

dahlem@hilmarcheese.com

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?**

1. Simplifying the accounting and reporting process by providing clear supporting resources and guidance for accounting and reporting for the entire value chain including farmers, companies, and consumers. 2. Improving the reconciliation of accounting application to dairy and agricultural sectors while increasing demand for both global insets and offsets to expedite reduction activities at the dairy farm or agriculture level. 3. Creating transparency regarding which reductions/removals are sold both inside and outside of a direct value chain to increase transparency, accuracy, completeness and to identify cross cutting impacts between different value chains.

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

1. The current GHG Protocol standards, guidance resources and measurement mechanisms are complex and confusing to follow at the dairy farm and agriculture level which degrades the accounting accuracy and limits the pace of reductions within the agriculture sector. Agriculture has the unique place within nature to provide carbon sinks or beneficial carbon cycles. People or entities that directly affect critical land resources must be able to understand how their climate decisions directly impact the rate of global warming according to GHG Protocol standards. This is necessary not only within the agriculture-to-table value chain but everyone must be able to evaluate how these decisions affects other segments according to cross cutting principals.
2. The current GHG Protocol standards and guidance limit the total market GHG reduction demand by restricting use of additional offsets available from indirect value chains or other sectors for reduction.
3. Current GHG Protocol standard implies that emissions can be outbalanced by compensatory activities such as greenhouse gas removals and offsetting. The problem is emissions and compensation measures are not equivalent in terms of the climate impact within current standards. Allowing accounting practices that provide transparent mechanisms for entities to account for GHG both within and outside their value chain brings more transparency and accuracy to this equivalency problem where market compensation measures can be adjusted by demand to more closely align with impact.

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

1. The current GHG Protocol standards, guidance resources and measurement mechanisms are complex and confusing to follow at the agriculture level which degrades the accounting accuracy and limits the pace of implementation of GHG reductions.
    a. Standards should be detailed, clear, and easily applied in practice both at the company level and at the measurement level of agriculture to ensure accuracy, compliance, impact and consistency throughout the value chain can be achieved.
    b. GHG Protocol users could benefit from clear guidance on how to navigate the various standards, understand their application, and reduce the burden of compliance.
    c. Reporting standards should encourage a consistent level of detail for all parties within the value chain and all parties should get recognition for the work they do both inside and outside of the direct value chain.
    d. Hilmar Cheese Company, Inc. and U.S. dairy has demonstrated alignment with existing GHG Protocol standards and guidance and seeks to ensure that the measurement mechanisms in place will continue to encourage measurement,

management, and continuous improvement. For example:

- The Farmers Assuring Responsible Management (FARM) Environmental Stewardship (ES) module, an on-farm GHG and energy use calculator, is recognized by the GHG Protocol as an on-farm tool to measure and report scope 3 emissions.
- FARM ES's Random Sampling Protocol is consistent with the GHG Protocol's Technical Guidance for Calculating Scope 3 Emissions. The option to conduct a random sample of suppliers for the purpose of scope 3 emissions accounting is essential for overcoming resource and cost constraints; conducting on-farm GHG evaluations is time-consuming and resource- intensive. Random sampling overcomes that barrier while still getting an accurate estimate of GHG emissions intensity for the entire milk supply.

2. GHG Protocol accounting and reporting standards should enable accelerated reductions and adoption of best practices that support global warming reductions.

    a. Entities, including farmers that make initial or absolute reduction should receive the maximum recognition and benefit for making improvements whether those benefits result from investment inside or outside their direct value chain to enable market demand necessary to make agricultural investments and improvements. Dairy farms and other agriculture sectors cannot accurately demonstrate progress toward their own GHG reduction goals if GHG Protocol standards do not acknowledge the credits generated and sold to other sectors necessary to fund farm level GHG reduction projects.

    b. All potential solutions, not only those within an organization's value chain should be available to any entity to make the most efficient, cross cutting, GHG reductions. Clearly energy or by products created in one sector can often be most efficiently utilized at the lowest absolute GHG impact by another sector. GHG Protocol standards should promote the best solution for the planet through recognition and accounting of contributions to reductions in both direct and cross sector value chains.

    c. Current GHG Protocol standard implies that emissions can be outbalanced by compensatory activities such as greenhouse gas removals, insetting and offsetting. The problem is emissions and compensation measures are not equivalent in terms of the climate impact within current standards.

    d. There are no global validation standards for insetting and offsetting schemes. Creating transparency within the standard regarding which reductions/removals are sold both inside and outside of a direct value chain would increase overall accuracy and transparency until a global validation standard is recognized.

    e. The inconsistency in how offset credits are accounted for within the current standards limits their value. Companies are not required to disclose offset

credits sold outside of the value chain. This makes it difficult to account for offset credits consistently across different value chains. Creating transparency regarding which reductions/removals are sold both inside and outside of a direct value chain would increase overall accuracy and transparency.

f. Currently outsets are not permitted outside of the direct agriculture value chain for many categories of needed emission reductions. Current, available offset opportunities could be used to make faster and more impactful improvements at the farm level that are not currently being implemented due to current accounting offsetting restrictions.

3. All potential solutions, not only those within an organization's value chain, should be available to any entity to GHG make reductions. Clearly energy and by products created in one sector can often be most efficiently utilized at the lowest absolute GHG impact by another sector. Current GHG Protocol standard implies that emissions can be outbalanced by compensatory activities such as greenhouse gas removals and offsetting. The problem is emissions and compensation measures are not equivalent in terms of the climate impact within current standards. Allowing accounting practices that provide mechanisms for entities to account for GHG both within and outside their value chain brings more transparency and accuracy to this equivalency problem where market compensation measures can be adjusted by demand to more closely align with impact.

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

1. The proposal aligns with the GHG Protocol decision-making criteria and hierarchy. The proposal prioritizing accuracy and full transparency in reporting both inside and outside of the direct value chain, which could be a potential solution to encourage recognition of both those that fund GHG gas emission mitigation as well as those that implement the projects. This proposal aligns with and enhances the principles of accuracy, completeness and transparency through disclosure of additional information outside of the value chain.

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.

1. Dairy and agriculture are positioned as a collaborative solution to help expedite GHG reductions both within the dairy value chain and outside of the diary value chain. Updating the accounting and reporting standards to encourage and enable market demand and investment to reduce emissions directly aligns with the sense of urgency within latest climate science to limit global warming below 1.5 degrees C.
2. All potential solutions, not only those within an organization's value chain, should be available to any entity to make impactful GHG reductions. Energy or by products created in one sector can often be most efficiently utilized at the lowest absolute GHG impact by another sector. GHG Protocol standards should promote use of the best solution, not just a solution limited to the direct value chain.

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)?

1. Changing the accounting and reporting standards to enable more and faster implementation of best practices that reduce the rate global warming enables organizations to pursue more effective GHG mitigation efforts.
2. Emerging emission reduction and sequestration technologies cannot be scaled within agriculture for meaningful impact necessary to reduce global warning to 1.5 degrees C without the needed investment from other industries, cross sectors, or the government.

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?

This proposal does not require additional information or data beyond what is currently required in GHG accounting and reporting. This proposal does not call for changes to current calculation method. It focuses on the challenges that current accounting rules create for entities between different value chains and sectors.

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

1. Current standards create risks to accuracy, completeness and transparency.

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

1. Increasing the accuracy and transparence with GHG reporting that includes where (inside and outside the value chain) and who is financing those reductions will improve the visibility of opportunities and risks that are can be disclosed through mechanisms already using the GHG Protocol standards such as CDP and the Task Force on Climate Related Financial Disclosures.

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.

1. Incentive-based carbon markets provide a critical mechanism to drive adoption of climate-smart practices and technologies. One example is California's voluntary incentive-based Low Carbon Fuel Standard. This standard is on track to achieve its target of reducing methane emissions by 40% below 2013 levels by 2030. The program is estimated to reduce methane between 7.6 – 10.6 MMTCO2e by 2030 from the dairy sector alone. Reference:

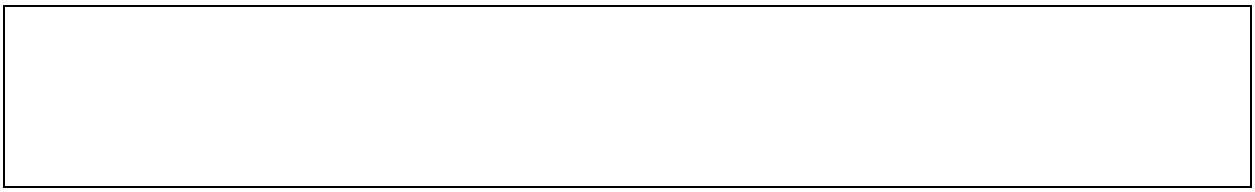
https://clear.ucdavis.edu/sites/g/files/dgvnsk7876/files/inline- files/Meeting-the-Call-California-Pathway-to-Methane-Reduction_0.pdf

2. Government funding provides critical mechanisms to drive adoption of climate smart practices and technologies. One example is California Department of Food and Agriculture (CDFA)'s Alternative Manure Management Program (AMMP) provides financial assistance for the implementation of non-digester manure management practices in California, which will result in reduced greenhouse gas emissions. https://www.cdfa.ca.gov/oefi/AMMP/ The program is projected to reduce 1.1 million metric tons of CO2e over 5 years. Reference: https://www.cdfa.ca.gov/oefi/AMMP/docs/AMMP_Project_Level_Data.pdf

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

1. An extensive materiality assessment with various stakeholders of the organization including farmers, value chain partners and community members. Aspects of their input was used in the formulation of this response.
2. Hilmar Cheese Company, Inc. is a supporter of Pathways to Dairy Net Zero. This initiative brings together dairy farms of every size and type, as well as organizations throughout the dairy supply chain. Launched September 22, 2021, during Climate Week and just prior to the United Nations (UN) Food Systems Summit, this growing movement is dedicated to reducing dairy's greenhouse gas (GHG) emissions over the next 30 years. We believe it is important to amplify the dairy efforts and initiatives already in place, optimizing and reducing emissions to safeguard nutrition security and sustain a billion livelihoods for tomorrow, while helping secure a future for us all. The principles developed by this organization were used in the formulation of this response.
3. Hilmar Cheese Company, Inc. is a supporter of the Innovation Center for U.S. Dairy® which was established in 2008 by farmers through the dairy checkoff to foster collaboration that progresses the industry's goal of building a healthy and sustainable future for the dairy community, the people it serves, and the planet we all share. The Innovation Center convenes diverse stakeholders and leaders to advance the U.S. dairy community's positive impact on shared social responsibility and sustainability priorities that include nutrition and health, food security, the environment, animal care, workforce, and food safety. Through these efforts, the U.S. dairy community contributes to a more sustainable world for future generations. For more information, visit usdairy.com/about-us/innovation-center.

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



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.