



# Greenhouse Gas Protocol

## Summary of Scope 3 Proposals

March 2024

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### Introduction

The GHG Protocol secretariat solicited stakeholder feedback between November 2022 and March 2023 on the use of the *Corporate Value Chain (Scope 3) Accounting and Reporting Standard* (the “**Scope 3 Standard**” or “**Standard**”) and the *Technical Guidance for Calculating Scope 3 Emissions* (the “**Scope 3 Technical Guidance**” or “**Technical Guidance**”) to understand user needs, identify topics which may warrant updates or guidance, and solicit recommendations for specific updates or new guidance.

Approximately 350 individuals and/or organizations provided responses to the scope 3 survey. Refer to the *Detailed Summary of Scope 3 Stakeholder Survey Responses* (the “**Detailed Summary of Scope 3 Survey Responses**”) [here](#). In addition to the scope 3 survey, respondents were given the opportunity to submit proposals. This document summarizes the scope 3 proposal submissions.

Approximately 100 proposals were submitted related to the *Scope 3 Standard* and *Technical Guidance*. This document summarizes feedback provided by each proposal submitter. In some instances, where one or more submitters proposed a similar or the same recommendation, multiple proposals may be grouped together. Many proposal submitters also provided survey responses. Much of the feedback submitted via proposals mirrors or duplicates feedback provided through the survey.

The inclusion of feedback in this document does not indicate that a given recommendation or proposal will be implemented or reflected in updates to either the *Scope 3 Standard* or to the *Scope 3 Technical Guidance*. This document is not a scope of work for planned updates, but instead a report of feedback received through the survey.

The affiliation and file name of every proposal submitter who requested attribution has been cited in the footnotes of this document, along with the common Dropbox folder link where each document is publicly available online. Some proposal submitters requested anonymity.

The table of contents of this document is organized by topic. Feedback and recommendations are not listed or ranked in order of priority or response frequency. To facilitate cross-referencing, sections in this document mirror sections in the *Detailed Summary of Scope 3 Survey Responses*. All feedback, recommendations, and requests summarized throughout this summary are not listed or ranked in order of priority.

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## Executive Summary

This Summary of Scope 3 Proposals provides an overview of all proposals submitted for changes to the *Scope 3 Standard* or *Scope 3 Technical Guidance*. While many proposals related to specific changes or minor edits to the current *Standard* and existing guidance documents, others addressed broad changes that would have overarching impacts on the standards update process. Broadly, these overarching proposals related to the following themes:

- **Adjustments to GHG Protocol’s governance and overall structure.** Proposal submitters highlighted the importance of the GHG Protocol’s multi-stakeholder process and suggested codifying the process formally to facilitate future updates. Submitters also highlighted interoperability with other frameworks, standards, and government programs.
- **Adjustments to boundaries for scope 3 generally, and among the fifteen categories.** Proposal submitters proposed various approaches to clarifying minimum boundary requirements across categories of scope 3. Submitters also proposed coordination with other GHG Protocol revision processes to ensure scope 3 emissions reporting is mandatory for compliance with the *Corporate Standard*.
- **Accounting guidance for biogenic emissions and removals.** Proposal submitters called for guidance concerning how to incorporate biogenic emissions and removals within scope 3, with many submitters suggesting alignment with the forthcoming *Land Sector and Removals Guidance*.

- **Phasing out the spend-based method and moving toward primary data collection.** Proposal submitters raised concerns with the accuracy of scope 3 calculations and noted the spend-based method as a particular area for adjustments. Submitters suggested phasing out this accounting method and requiring more primary and supplier-specific data in scope 3 calculations.
- **Clarification on use of cradle-to-gate emission factors.** Proposal submitters noted inconsistencies among categories of scope 3 regarding treatment of emission factors and requested better alignment or more guidance on when it is necessary to utilize cradle-to-gate emission factors.
- **Clarify the use of scope 2 market-based emissions data in scope 3.** Proposal submitters called for development of a method to account for value chain emissions reductions in a manner similar to that of the market-based method as currently defined in the *Scope 2 Guidance*. Submitters also requested clarification on the use of market-based vs. location-based supplier-specific emissions data when calculating scope 3 emissions from value chain partners.

The following summarizes each section of this document, which organizes proposals by topic.

### **Section 1: Governance and overarching criteria**

This section summarizes feedback from a few proposal submitters provided overarching feedback, including concerning governance. This included feedback to maintain GHG Protocols multi-stakeholder process, getting governmental representation in this process, and ensuring interoperability with related standards generally, including possibly consolidating the GHG Protocol standards and guidance with other frameworks. A couple of proposal submitters recommended that the GHG Protocol formalize the process for future updates, and recommended objectives to prioritize.

### **Section 2: Identification, classification, and boundary setting**

Section 2.1, Classification and boundaries, summarizes proposal submitter feedback concerning the classification of business activities and the minimum versus optional boundaries of each category. Several proposal submitters provided recommendations to account for emissions attributable to employee commuting and remote work (category 7). Most proposal submitter feedback in section 2.1 mirrored feedback provided by survey respondents in the *Detailed Summary of Scope 3 Survey Responses* like the inclusion of infrastructure and fugitive emissions in category 3 and guidance identifying emissions from leased assets.

Section 2.2, Requirements, summarizes proposal submitter feedback concerning various scope 3 requirements. Proposal submitters recommended making scope 3 reporting mandatory for *Corporate Standard* conformance, developing thresholds for including a minimum of supplier-specific emission data, mandating the inclusion of radiative forcing factors, requiring side-by-side reporting of inventories calculated with 20-year and 100-year GWP values, and requiring the reporting of chlorofluorocarbon (CFC) and hydrochlorofluorocarbon (HCFC) emissions.

Section 2.3, Biogenic emissions and removals, summarizes proposal submitter feedback provided by some proposal submitters who expressed the need for guidance to account for biogenic emissions and removals. This included harmonizing draft guidance specified in the *Land Sector and Removals*

*Guidance* (expected in 2024). One respondent requested guidance on accounting for supply shed interventions and emissions reductions. One respondent proposed requiring net and gross reporting. A few proposal submitters requested guidance on emission factor selection.

Section 2.4, Double counting, summarizes proposal submitter feedback concerning double counting. Proposal submitters expressed split opinions and recommendations on double counting. One proposal submitter asserted that the benefit of transparency outweighs the risk of double claiming. Another proposal submitter asserted that double counting confuses the market. Double counting or claiming was raised as a concern in terms of potentially overestimating emissions reductions. A few proposal submitters requested more definitive guidance (e.g., a decision tree) to classify scope 1 versus scope 3 emissions and accounting for roll-up emissions by parent companies and umbrella organizations.

### **Section 3: Quantification**

Section 3.1, Calculations, summarizes proposal submitter feedback concerning the quantification of GHG emissions. This includes developing methods to increase the use of primary data, phasing out the spend-based method, developing software carbon-intensity specifications to account for emissions attributable to software services, and mandating the use of primary, supplier-specific emissions data to quantify and account for cradle-to-gate emissions. Other proposal submitters requested guidance on choosing expense line-items for the spend-based method, guidance on using the spend-based method to estimate category 15 emissions, and tighter rules for estimating downstream category 11 emissions, including a method to accounting for 'in year' emissions from product use.

Section 3.2, Allocation, summarizes proposal submitter feedback concerning allocation. This includes a recommendation to adjust the GHG Protocol's inventory approach with a "gross-flow" approach to account for atmospheric CO<sub>2</sub> removal and uptake in materials, in the year when removal and uptake occurs, and eventual emissions from end-of-life treatment, in the year when emissions are released. Other recommendations include accounting for carbon transfers between carbon pools, depreciating and amortizing the cradle-to-gate emissions attributable to capital equipment, standardizing the transfer of direct and cradle-to-gate emissions with sold products, and allocating emissions to sold products.

Section 3.3, Waste treatment and recycling, summarizes proposal submitter feedback concerning accounting for waste treatment and recycling. A group of proposal submitters proposed an alternative cut-off rule to allocate emissions between waste generating companies, companies that perform recycling activities, and companies that combust waste to generate energy. Other proposal submitters requested guidance for products and product-families, guidance for reclaimed refrigerants, and guidance modeling and estimating end-of-life treatment of certain product types.

### **Section 4: Comparability and additional metrics**

This section summarizes proposal submitter feedback concerning comparability, performance metrics or indicators, and accounting for emissions reductions. Some proposal submitters asserted that comparability should be prioritized during the standards updates process. Some proposal submitters asserted that recognizing scope 3 emissions reductions needs to be prioritized and requires flexibility, including to incentivize capital allocation that accelerates measurable GHG emissions reductions. Others recommended considering whether consequential methodologies like the project-based method should serve a more prominent role in the *Scope 3 Standard*.

## **Section 5: Market-based accounting approaches**

For reference, at present, no guidance exists in the *Scope 3 Standard* (2011) or the *Scope 3 Technical Guidance* (2013) concerning market-based accounting, including using value chain partners' emissions data, calculated using the scope 2 market-based method, in a scope 3 inventory. Market-based accounting guidance exists today only in the *Scope 2 Guidance* (2015). The *Scope 2 Guidance* states that companies "should identify which methodology has been used to calculate and report scope 3 category 3" emissions (p. 61). Further, "companies should be transparent about which scope 2 method total they share with others in their value chain"; however, "companies... do not need to 'dual report'" market-based and location-based emissions from T&D losses in scope 3 category 3 (p. 96).

Section 5.1, *Scope 2 market-based emissions data in scope 3*, summarizes proposal submissions concerning the use of value chain emissions data calculated using the scope 2 market-based method in a scope 3 inventory. One proposal submitter recommended that market-based accounting should not be used for scope 1, scope 2, or scope 3 inventories, which extends to value chain emission data calculated using the scope 2 market-based method. Another proposal submitter recommended that the *Scope 3 Standard* explicitly allow the use of value chain emissions data calculated using the scope 2 market-based method. Refer to the *Detailed Summary of Scope 3 Survey Responses* for more.

Section 5.2, *Other market-based accounting approaches*, summarizes proposal submissions concerning developing a market-based accounting approach for the *Scope 3 Standard*. Several proposal submitters requested formal guidance. Other proposal submitters recommended that the GHG Protocol remain aware of market developments. One proposal submitter cautioned that some companies are already integrating purchased reductions in product-level emissions data which they are sharing with clients to use in clients' scope 3 category 1 inventories. Recommendations included an approach to account for and report instruments separately from scope 1, scope 2, and scope 3 inventories. Some proposal submitters recommended relying on the project-based method (for more on inventory versus project-based GHG accounting, refer to a comparative review [here](#)). Several proposal submitters recommended other methods by which to account for instruments. A few proposal submitters recommended adopting a book-and-claim method for traceability.

## **Section 6: Miscellaneous**

This section summarizes miscellaneous feedback from four proposal submitters.

## 1. Governance and overarching criteria

A few proposal submitters provided general governance feedback and recommended reconsidering the overarching objectives of the GHG Protocol standards and guidance.

Feedback from proposal submitters:

- One proposal submitter expressed that the GHG Protocol should maintain its transparent and public multi-stakeholder process to ensure the continued credibility of the standards. Furthermore, this proposal submitter recommended ensuring U.S. government representation for future development or updates.<sup>1</sup>
- One proposal submitter provided feedback concerning the GHG Protocol standards and guidance updates and that of ESG reporting. The latter, as asserted by the submitter, has changed rapidly over the past few months, and will continue to develop, including between the big four (Deloitte, EY, KPMG, and PwC). The GHG Protocol should prioritize interoperability and consolidation.<sup>2</sup>
- One proposal submitter advised that the GHG Protocol standards should adhere to the following criteria: independence, transparent due process, domain and authority, human and financial resources, comprehensiveness, and consistency to ensure that the standards are “established, interpreted and, when necessary, modified based on independent, objective considerations.” Further, a codified process for monitoring and updating the standards and guidance needs to be established. This is necessary as “sustainability disclosures need to be high quality for investors and other stakeholders to use in their capital allocation decisions”, and for third-party assurers.<sup>3</sup>
- The *Standard* should be revised broadly to address data availability challenges, limited resources, methodological choices, and judgment calls in GHG accounting, especially for small-to medium-sized enterprises (SMEs). This would support measuring the “true impacts of... value chain” activities. The proposal submitter asserted that “it is preferable to have transparent, and verifiable raw value chain data, as opposed to inconsistently and often opaquely transformed and formatted reported emissions data.” Several other comments and minor revisions were proposed by this proposal submitter, which are not itemized in this document, but which are summarized in the *Detailed Summary of Scope 3 Survey Responses*.<sup>4</sup>

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<sup>1</sup> Ceres (UID 122). File: “General\_Proposal\_Ceres\_2” available [here](#).

<sup>2</sup> Anonymous (UID 70).

<sup>3</sup> Association of International Certified Professional Accountants (AICPA & CIMA) (UID 9). File: “Corporate Standard\_Proposal\_AICPA Ami Beers” available [here](#).

<sup>4</sup> Rho Impact (UID 64). File: “Scope 3\_Proposal\_Rho Impact” available [here](#).



## 2. Identification, classification, and boundary setting

Proposal submitter feedback summarized in this section corresponds with stakeholder survey feedback summarized in section C, Identification and classification, and section B, Boundary setting, in the *Detailed Summary of Scope 3 Survey Responses*.

### 2.1. Classification and boundaries

This section summarizes all proposal submitter feedback concerning the classification of business activities and the minimum versus optional boundaries of each category in Table 3.1 (*Scope 3 Standard*, p. 21) and Table 5.4 (*Scope 3 Standard*, p. 34-37). Refer to section C.4, Minimum boundaries for categories 1 through 14, and C.5, Minimum boundaries for category 15 (Investments), in the *Detailed Summary of Scope 3 Survey Responses*. Note that most proposal submitter feedback in this section, 2.1, was also provided by survey respondents and is summarized in the *Detailed Summary of Scope 3 Survey Responses*.

Feedback from proposal submitters:

- Several proposal submitters highlighted the need for more clarity on and refinement of scope 3 boundaries regarding what is and is not included.
- One respondent asserted that the scope 3 boundaries, “unlike scope 1 and scope 2”, are “broad and inclusive” by design, and therefore require more specific and detailed boundary guidance to “enable a more true and fair representation of companies’ footprints and responsibilities.”<sup>1</sup>
- Several proposal submitters expressed the need to tighten terminology definitions for materiality and relevance. Similar stakeholder survey feedback is summarized in section D.3, Relevancy and materiality terminology, in the *Detailed Summary of Scope 3 Survey Responses*.

Recommendations from proposal submitters:

1. Add a scope “i” to include indirect emissions “which are not identified as part of reporting [companies’] carbon footprint[s]” to account for emissions associated with “service providers, partners, supply chain and stakeholders... which are not currently quantified as part of a boundary footprint” and which reporting companies “have capacity to influence.”<sup>2</sup>
2. Extend the definition of scope 3 via a new category to include advertised emissions resulting from the uplift in sales generated by advertising. The current definition of indirect includes emissions “that are a consequence of the activities of the reporting company” (*Scope 3 Standard*, p. 142), which could be extended to the impact of advertising spend beyond the emissions directly or indirectly attributable to advertising services.<sup>3</sup>
3. “If comparability of emissions is an important attribute”, then the GHG Protocol should “align with financial accounting principles.” Conditions include (i) “separating out the accounting of activity data, which represent operational decisions, with emission factors, which are accounting choices”, (ii) “relying exclusively on stoichiometric emission factors [e.g.,] combustion or mass-balance... to maintain the requirement for being a derived unit”, (iii) disallowing “the use of LCA- and EEIO-based emission factors”, and (iv) “us[ing] an accrual-based system that has a spacio-temporal relationship between categories.” This proposal submitter, like a few other

<sup>1</sup> Anonymous (UID: 139).

<sup>2</sup> Scottish National Investment Bank (UID 13). File: “Corporate Standard-Scope 3\_Proposal\_Scottish National Investment Bank” available [here](#).

<sup>3</sup> Purpose Disruptors (UID 58). File: “Scope 3\_Proposal\_Purpose Disruptors” available [here](#).

proposal submitters, referenced the principle of mutually exclusive and comprehensively exhaustive (MECE) records for consideration (refer also to section 3.2). Refer to recommendation 3 in section 4 regarding said proposal submitter's recommendation if comparability between companies' GHG inventories is *not* important.<sup>1</sup>

#### Category-specific feedback from proposal submitters:

1. Category 1 (Purchased goods and services)
  - a. Provide clear rules and guidance on how to account for canteen services provided by third parties. Some reporting companies that outsource canteen or cafeteria operations may be artificially removing scope 1 and scope 2 emissions from their GHG inventories. Making scope 3 category 1 emissions mandatory for *Corporate Standard* conforming corporate-level reporting would close this potential loophole.<sup>2</sup>
2. Category 3 (Fuel- and energy-related activities not included in scope 1 or scope 2)
  - a. Normalize the minimum boundaries with the Science-Based Targets initiative (SBTi) *Corporate Net-Zero Standard*. Make a full life cycle or well-to-wheel (WTW) emissions boundary mandatory in the *Scope 3 Standard*.<sup>3</sup>
  - b. Make mandatory and explicit the inclusion of both infrastructure and fugitive emissions for category 3.<sup>4</sup> One proposal submitter asserted that this was crucial to compare the efficacy of energy generation by source (e.g., hydrocarbons or fossil fuel-based energy versus low-carbon technologies or renewable energy).
3. Category 4 and 9 (Upstream and Downstream transportation and distribution)
  - a. Classify upstream versus downstream T&D activities relative to a reporting company rather than by funding mechanism or operational vs. non-operational control.<sup>5</sup>
4. Category 5 (Waste generation in operations)
  - a. Develop a flow diagram indicating the clear boundary of when waste should be accounted for in (i) scope 1 and 2, (ii) scope 3 category 1 and category 2, and (iii) in scope 3 category 5 and category 12. The "naming of [category 5 and category 12] creates ambiguity about what boundary of emissions should be included for the company creating the waste", including by purchasers of goods and services, waste generators, and sellers of goods and services.<sup>6</sup>
5. Category 7 (Employee commuting)
  - a. Make mandatory the inclusion of remote work (teleworking) and "mobile office[s]" in the minimum boundary of category 7. Refer to similar category-specific feedback in section C.4, Minimum boundaries of categories 1 through 14, in the *Detailed Summary of Scope 3 Survey Responses*.<sup>7, 8, 9</sup>
  - b. Include energy used by employees to wash uniforms. Absent this mandatory inclusion, the current standard unintentionally encourages companies to outsource laundry activities to employees to reduce said companies' scope 1 or scope 2 emissions.<sup>10</sup>

<sup>1</sup> University of Oxford, Oxford Net-Zero (UID 131). File: "General\_Proposal\_Oxford Net Zero" available [here](#).

<sup>2</sup> Green Asia Network and Thankscarbon (UID 22). File: "Corporate Standard-Scope 2-Scope 3\_Proposal\_Green Asia Network and Thankscarbon" available [here](#).

<sup>3</sup> Sustainable AG (UID 40). File: "Scope 3\_Proposal\_sustainable AG\_8" available [here](#).

<sup>4</sup> Anonymous (UID 71).

<sup>5</sup> Anonymous (UID 17).

<sup>6</sup> Anonymous (UID 73).

<sup>7</sup> Sustainable AG (UID 41). File: "Scope 3\_Proposal\_sustainable AG\_9" available [here](#).

<sup>8</sup> Anonymous (UID 17).

<sup>9</sup> Anonymous (UID 6).

<sup>10</sup> Anonymous (UID 52).



- c. Add clarity to the definition of operational control to indicate that GHG emissions from employee-owned vehicles are nevertheless under the effective control of a reporting company. Classify these emissions as scope 1 direct emissions.<sup>1</sup> Alternatively, make the inclusion of scope 3 mandatory for corporate-level GHG Protocol reporting for *Corporate Standard* conformance (as per recommendation 1 of section D.1, Requirements, in the *Detailed Summary of Scope 3 Survey Responses*).
  - d. Use the term, “de facto employee”, in the *Standard*, whereby “an employee is any person who does work at the direction and for the benefit of the company”. This would include consultants, independent contractors, and other third-party employees. Current language “seems ambiguous... [resulting in] a significant [non-reporting] escape hatch”. Further, broaden endnote 7 in Chapter 5 of the *Standard* (p. 57) to make accounting for “de facto employees” mandatory, not discretionary. This would standardize accounting.<sup>2</sup>
6. Category 8 and 13 (Upstream and Downstream Leased assets)
    - a. More clearly define, identify, and classify emissions from leased assets between scope 1, scope 2, and upstream/downstream scope 3. It is sometimes difficult to distinguish and allocate emissions, including from on-site heating in rented buildings, which is currently included in scope 2 as per the *Scope 2 Guidance*.<sup>3, 4</sup>
    - b. Make mandatory the inclusion of emissions attributable to the construction of rented assets as a capital good in category 8.<sup>5</sup>
  7. Category 10 (Processing of sold products)
    - a. Develop sector-specific, post-processing steps to determine which activities should be included in category 10. Parts manufacturers are unsure which downstream activities to include and where to draw the boundary between category 10 and category 11.<sup>6</sup>
  8. Category 11 (Use of sold products)
    - a. Specify that emissions caused by electronic devices that operate software (e.g., audio or video streaming) should be accounted for as indirect category 11 emissions. Currently, there is ambiguity regarding how downstream emissions attributable to powering the consumer devices that operate software services should be allocated to, and accounted for by, the application or software developer (as a reporting company).<sup>7</sup>
  9. Category 15 (Investments)
    - a. Make optional activities in Table 5.10 (*Standard*, p. 55) part of the minimum boundary.<sup>8</sup>
    - b. Be explicit about requiring the inclusion of scope 3 emissions from investments. These emissions are material for investments in the oil and gas (O&G) sector, particularly for reporting companies using the control approach that have non-operated joint ventures.<sup>9</sup>
    - c. Make clear that all companies can and should report category 15 emissions. Stating that category 15 is “designed primarily for private financial institutions... public financial institutions... and other entities with investments not included in scope 1 and scope 2” (*Scope 3 Standard*, p. 52), is too vague and doesn’t make clear that all entities have “financial supply chain[s] and therefore fit under this broad description.” As per the proposal submitter, this feedback was submitted to CDP, Salesforce’s net-zero cloud,

<sup>1</sup> Canadian Union of Postal Workers (UID 10). File: “Corporate Standard-Scope 3-General\_Proposal\_Canadian Union of Postal Workers” available [here](#).

<sup>2</sup> Ceres, Inc (UID 3). File: “General\_Proposal\_Ceres\_1” available [here](#).

<sup>3</sup> Anonymous (UID 63).

<sup>4</sup> Anonymous (UID 17).

<sup>5</sup> *Ibid*.

<sup>6</sup> Sustainable AG (UID 38). File: “Scope 3\_Proposal\_sustainable AG\_9” available [here](#).

<sup>7</sup> Anonymous (UID 12).

<sup>8</sup> Ceres Accelerator for Sustainable Capital Markets (UID 54). File: “Scope 3\_Proposal\_Ceres” available [here](#).

<sup>9</sup> ERM (UID 224). File: “General\_Proposal\_ERM” available [here](#).

- SBTi, the UN High-Level Expert Group on the Net-Zero Emissions Commissions of Non-State Entities, and the Securities and Exchange Commission (SEC).<sup>1</sup>
- d. Change the “if significant” clause for including or excluding the emissions of investees (*Technical Guidance*, p. 141). Furthermore, the “significant influence” clause of Table 5.9 (*Standard*, p. 53) leaves too much room for interpretation. Instead, “define a clear threshold at which scope 3 emissions...”, including from investees, subsidiaries, and joint ventures, “...are to be taken into account” for category 15.<sup>2</sup> A similar proposal was submitted on behalf of 200 Intentional Endowments Network (IEN) members.<sup>3</sup>
  - e. Other financial instruments:
    - i. Draft clearer classification rules for other financial instruments currently classified in Table 5.10 (*Standard*, p. 55), especially retirement funds, pension funds, cash deposits in banks, endowments, treasury bonds, securities, insurance coverage, and derivatives. Many of these activities (including cash holding management, payroll or compensation, and other activities to finance a reporting company’s business activities) are not downstream investment activities.<sup>4</sup>
    - ii. Include Retirement Plan Investments (assets) in category 15 as a sub-category termed: “Financial Investment / Services”. Retirement plans, including Defined Benefit and Defined Contribution, reflect upstream investing activities associated with employee benefits.<sup>5</sup> Separately, a group of organizations similarly asserted that “the ultimate responsibility for choosing investment options belongs to the company...” and companies should therefore “account for the resulting financed emissions.” They asserted, however, that savings plans and pensions are “part of a company’s benefits supply chain and thus form a portion of a company’s Upstream Activities”, and should be classified as such. Further, they asserted that existing formulas for equity or debt investments or, alternatively, formulas from the Partnership for Carbon Accounting Financials (PCAF) would suffice.<sup>6</sup> Another proposal submitter proposed the mandatory inclusion of employer-sponsored retirement funds following calculations specified by PCAF.<sup>7</sup>
    - iii. Broaden category 15 to include over-the-counter (OTC) derivatives. Derivatives include futures, forwards, swaps, and options, and account for a large fraction of revenue for banks. Define it as “over-the-counter derivative contracts executed between the reporting company... and its clients... including interest rate, currency, equity, credit, and commodity derivative transactions.” Companies should optionally quantify emissions attributable to OTC derivatives in scope 3 category 15 using either the contract’s current market-to-market (MTM) value or the worst case MTM exposure (loan equivalent risk, LER).<sup>8</sup>
  - f. Interoperability with other financial disclosures:
    - i. One proposal submitter reiterated the need “for consistency and clarity in definition and accounting for financed, insured and facilitated emissions”. This feedback was likewise expressed by other proposal submitters. In particular, the proposal submitter recommended alignment and interoperability with the work of

<sup>1</sup> Anonymous (UID 51).

<sup>2</sup> Sustainable AG (UID 36). File: “Scope 3\_Proposal\_sustainable AG\_4” available [here](#).

<sup>3</sup> Intentional Endowments Network (IEN) (UID 69). File: “Scope 3\_Proposal\_IntentionalEndowmentsNetwork” available [here](#).

<sup>4</sup> Anonymous (UID 51).

<sup>5</sup> Ceres Accelerator for Sustainable Capital Markets (UID 54). File “Scope 3\_Proposal\_Ceres” available [here](#).

<sup>6</sup> Sphere (UID 65), on behalf of Reflection Asset Management, Social(k), Green Retirement, the Intentional Endowments Network’s Sustainable Retirements Initiative, and the Business Climate Finance Initiative. File: “Scope 3\_Proposal\_Sphere” available [here](#).

<sup>7</sup> As You Sow (UID 68). File: “Scope 3\_Proposal\_AsYouSow” available [here](#).

<sup>8</sup> Ceres Accelerator for Sustainable Capital Markets (UID 54). File: “Scope 3\_Proposal\_Ceres” available [here](#).

the International Sustainability Standards Board (ISSB) in establishing a global baseline and developing the methodology for measurement and attribution of emissions, including to eliminate double counting and facilitate companies taking responsibility for action to reduce or remove emissions.<sup>1</sup>

## 2.2. Requirements

This section summarizes proposal submitter feedback concerning various scope 3 requirements. Refer to section D, *Boundary setting*, specifically, D.1, *Requirements*, and D.2, *Optionality*, in the *Detailed Summary of Scope 3 Survey Responses*. Note that all proposal submitter feedback in this section, 2.2, *Requirements*, was also provided by survey respondents and is summarized in the *Detailed Summary of Scope 3 Survey Responses*.

Feedback from proposal submitters:

- Provide more guidance regarding accounting for post-processing activities by value chain partners early in the value chain. Many value chain companies early in the value chain have very limited influence over subsequent downstream activities.<sup>2</sup>

Recommendations from proposal submitters:

1. Make mandatory the inclusion of scope 3 emissions for *Corporate Standard* conformance for corporate-level GHG Protocol reporting. This mirrors recommendation 1 listed in section D.1 in the *Detailed Summary of Scope 3 Survey Responses*.<sup>3</sup>
2. Develop requirements for a minimum percent of supplier-specific emission data, like a best practice threshold, and require reporting thereof.<sup>4</sup>
3. Consider making the inclusion of radiative forcing mandatory (like the SBTi). Provide clear radiative forcing calculation guidance, including emission factor selection requirements.<sup>5</sup>
4. Require side-by-side reporting of emissions using 20-year and 100-year GWP values.<sup>6</sup>
5. Require that companies account for all ozone-depleting refrigerant gases, including CFCs and HCFCs. CFC and HCFC emissions are widely under-reported and HCFCs, as per the proposal submitters, are “currently the fastest-growing [type of human-caused] greenhouse gas in the world... [increasing] at 10 to 15 percent per year”. Further, consider developing industry-specific guidance for the air conditioning industry.<sup>7</sup>

## 2.3. Biogenic emissions and removals

This section summarizes all proposal submitter feedback concerning accounting for and reporting biogenic emissions and removals. Note that accounting for emissions and removals from Agriculture, Forestry and Other Land Use (AFOLU) is being addressed by the GHG Protocol via the *Land Sector and*

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<sup>1</sup> Anonymous (UID 6).

<sup>2</sup> Land O'Lakes Truterra (UID 66). File: "Scope 3\_Proposal\_Truterra" available [here](#).

<sup>3</sup> Sustainable AG (UID 40). File: "Scope 3\_Proposal\_sustainable AG\_8" available [here](#).

<sup>4</sup> Land O'Lakes Truterra. File: "Scope 3\_Proposal\_Truterra" available [here](#).

<sup>5</sup> Sustainable AG (UID 39). File: "Scope 3\_Proposal\_sustainable AG\_7" available [here](#).

<sup>6</sup> Yale Carbon Containment Lab (UID 7). File: "Corporate Standard-Scope 3\_Proposal\_Yale Carbon Containment Lab" available [here](#).

<sup>7</sup> *Ibid*.

*Removals Guidance* [here](#).<sup>1</sup> Refer to section D.4, Biogenic emissions and removals, in the *Detailed Summary of Scope 3 Survey Responses*.

Feedback from proposal submitters:

- Some proposal submitters expressed the need for guidance regarding accounting for and reporting biogenic CO<sub>2</sub> emissions and removals.<sup>2</sup>

Recommendations from proposal submitters:

1. Do not require separate accounting of fossil and biogenic emissions as this is, practically speaking, often not possible given that many secondary emission factors consolidate the GHG emissions associated with fossil combustion-related activities and AFOLU activities.<sup>3</sup>
2. Ensure the integration and harmonization of these six areas between the *Scope 3 Standard and Land Sector and Removals Guidance*: (i) an agriculture commodity and food life cycle inventory database that is findable, accessible, interoperable, and reusable (FAIR); (ii) commodity production and farm management data integration and grading; (iii) recognition of the uncontrollable, episodic, and sometimes extreme natural events (e.g., drought, pests, hurricanes, etc.) which dramatically affect the GHG-intensity of nature-based products and/or carbon solutions; (iv) integration of agricultural commodity roundtables; (v) integration of agricultural value chain accounting and reporting resources and processes from farm-to-market; and (vi) integration of ESG reporting, which has changed rapidly over the past few months and will develop, including between the big four, into a consolidated standard.<sup>4</sup>
3. Require gross and net emissions reporting that aggregates biogenic and technological offsets with GHG inventory scope 1, scope 2, and scope 3 emissions. This would yield better decision-making capabilities for stakeholders. Farmers need to be able to claim or report the reductions they are issuing from their land and associated land management and/or farming practices.<sup>5</sup>
4. Specifically for agricultural sector activities: (i) harmonize and make interoperable the GHG inventory accounting method with supply shed and intervention accounting and utilize a single, five-step quantification approach; (ii) reconsider removals accounting within a scope 3 inventory with non-annual reporting, non-allocation, contractual claims agreements, and clear uncertainty thresholds; and (iii) provide more detailed quantification guidance for model-based approaches that consider modeling accuracy, uncertainty, assurance, and recalculation requirements.<sup>6</sup>

Support requests from proposal submitters:

5. Provide guidance on emission factor selection for bio-based materials, including bio-based removals in products with 100+ year lifespans (use-phase), including recycled bio-based materials. For example, itemize emission factors for (i) bio-based materials excluding end-of-life (EOL) recycling, (ii) bio-based materials including EOL recycling, (iii) fossil-based materials including EOL recycling, (iv) fossil-based non-recycled materials excluding EOL energy recovery, and (v) fossil-based non-recycled material including EOL energy recovery.<sup>7</sup>

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<sup>1</sup> GHG Protocol: *Land Sector and Removals Guidance*: <https://ghgprotocol.org/land-sector-and-removals-guidance>

<sup>2</sup> Anonymous (UID 17).

<sup>3</sup> Anonymous (UID 146).

<sup>4</sup> Anonymous (UID 70).

<sup>5</sup> *Ibid.*

<sup>6</sup> Anonymous (UID 49).

<sup>7</sup> Anonymous (UID 2).

6. Provide guidance regarding accounting for emissions attributable to, and sustainability criteria of, “bioenergy, without [reporting companies] having to read the *Land Sector and Removals Guidance*.” Further, provide guidance on accounting for emissions associated with sustainable aviation fuels (SAFs) and sustainable marine fuels (SMFs).<sup>1</sup>
7. Provide guidance and clarification on (i) biogenic CO<sub>2</sub> uptake (short-term vs. long-term), (ii) direct land-use change (dLUC), (iii) allocation or amortization relying on the economic allocation method for allocating GHG emissions, (iv) land management non-CO<sub>2</sub> emissions, and (v) providing EOL treatment guidance. The proposal submitter specified multiple changes for each topic and provided references.<sup>2</sup>

## 2.4. Double counting

This section summarizes proposal submitter feedback concerning double counting. Refer to section C.7, Double counting, in the *Detailed Summary of Scope 3 Survey Responses*.

Feedback from proposal submitters:

- One proposal submitter, regarding double- or multi-reporting emissions from investments, asserted that “the risk that emissions are claimed by two institutions and reported twice is a lesser problem than the risk that no institution is held accountable for reporting them.” In short, this benefit of double transparency exceeds the perceived drawback(s) of double counting.<sup>3</sup>
- One proposal submitter noted that allowing multiple organizations to take responsibility for the same unit of emissions can lead to confusion and may misrepresent responsibility over that unit of carbon emissions, especially when an unknown number of companies are involved.<sup>4</sup>
- Double counting (double claiming) was raised as a concern when it comes to making emissions reduction claims, which are often difficult to defend. Double claims could overestimate or distort company-specific performance indicators and thus inhibit goals of decarbonization.<sup>5</sup> Refer to section 4, Comparability and additional metrics, for more.

Recommendations from proposal submitters:

- Eliminate the “multiple counting of emissions” for “scope 3 category 15”, including “so that organizations can prioritize action on reducing emissions effectively.”<sup>6</sup>

Support requests from proposal submitters:

- Develop more definitive guidance regarding how to address double counting across categories within scope 3. This is an issue for oil and gas companies that extract, refine, distribute, trade, and sell fossil fuels as their products are the source of combustion-related emissions for many categories and in evaluating the completeness of supplier-specific emissions data.<sup>7</sup>
- Develop guidance and a decision tree (flow diagram) for classifying scope 1 versus scope 3 emissions for and by reporting companies that purchase fuels on behalf of third-party

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<sup>1</sup> Sustainable AG (UID 33). File: “Scope 3\_Proposal\_sustainable AG\_1” available [here](#).

<sup>2</sup> Anonymous (UID 67).

<sup>3</sup> Anonymous (UID 51).

<sup>4</sup> Anonymous (UID: 139).

<sup>5</sup> Land O’Lakes Truterra (UID 66). File: “Scope 3\_Proposal\_Truterra” available [here](#).

<sup>6</sup> Anonymous (UID 6).

<sup>7</sup> ERM (UID 224). File: “General\_Proposal\_ERM” available [here](#).

companies which then combust said fuel on behalf of the reporting company. This could support uniform accounting practices by companies and facilitate comparability.<sup>1</sup>

- Develop new guidance on double counting between companies and between subsidiaries of a parent company, or an umbrella organization that owns multiple autonomous businesses in a value chain which operate in a vertically integrated manner. Double counting subsidiary, roll-up emissions is currently unavoidable for parent companies and umbrella organizations.<sup>2</sup>

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<sup>1</sup> Land O'Lakes Truterra (UID 66). File: "Scope 3\_Proposal\_Truterra" available [here](#).

<sup>2</sup> Anonymous (UID 62).



### 3. Quantification

Proposal submitter feedback summarized in this section corresponds with stakeholder survey feedback summarized in sections F, Quantification, and G, Allocation, in the *Detailed Summary of Scope 3 Survey Responses*.

#### 3.1. Calculations

This section summarizes all proposal submitter feedback concerning the quantification of GHG emissions. Refer to section F, Quantification, in the *Detailed Summary of Scope 3 Survey Responses*.

Recommendations from proposal submitters:

1. Phase out “the less accurate spend-based method for emissions categories that are material to companies” as this method is “insufficient for companies to prioritize and plan mitigation actions and track progress against targets.”<sup>1</sup> This was reiterated by another proposal submitter, who caution that, “most organizations are resorting to spend-based accounting,” and advise that the GHG Protocol construct a “plan to help organizations transition to activity-based methods, given all the known shortcoming of spend-based.”<sup>2</sup> Refer to section F.2, Spend-based method, in the *Detailed Summary of Scope 3 Survey Responses* for more on this topic.
2. Develop a Software Carbon Intensity (SCI)<sup>3</sup> specification in the *Scope 3 Standard and Technical Guidance* to support accounting for emissions from purchased cloud services and other software services throughout the value chain. Emissions attributable to software services may currently be excluded by many companies due to lack of data access, despite its potential materiality.<sup>4</sup>

Support requests from proposal submitters:

8. Provide specific guidance on which cost, expense, or capex figures from a company’s income statement can be used to derive spend-based estimates. For example, some companies include “donations, insurance premiums, brokerage fees” and other intangibles without clear EEIO or spend-based emission factors. Provide a table of expenditure types that should be included or excluded in scope 3 category 1. A few other comments provided by this proposal submitter duplicate feedback summarized in the *Detailed Summary of Scope 3 Survey Responses*.<sup>5</sup>
9. Develop more guidance on assessing emissions attributable to sold products, generally.<sup>6</sup> Several proposal submitters provided similar feedback.
10. Mandate that reporting companies use only the supplier-specific method<sup>7</sup> specified in the *Technical Guidance* to improve upstream (cradle-to-gate) emissions data accuracy. Establish a three-year transition or phase-in period to implement this mandate.<sup>8</sup>
11. Apply different quality controls for upstream (cradle-to-gate) versus downstream emissions. asserting that downstream emissions, while they “have useful managerial applications... cannot

<sup>1</sup> Terrascope (UID 80). File “Corporate Standard-Scope 3\_Proposal\_Terrascope\_2” available [here](#).

<sup>2</sup> Rho Impact (UID 64). File: “Scope 3\_Proposal\_Rho Impact” available [here](#).

<sup>3</sup> Green Software Foundation (Github): [https://github.com/Green-Software-Foundation/sci/blob/dev/Software\\_Carbon\\_Intensity/Software\\_Carbon\\_Intensity\\_Specification.md#location-based-marginal-carbon-intensity-i](https://github.com/Green-Software-Foundation/sci/blob/dev/Software_Carbon_Intensity/Software_Carbon_Intensity_Specification.md#location-based-marginal-carbon-intensity-i)

<sup>4</sup> Green Software Foundation (UID 23). File: “Scope 2-Scope 3\_Proposal\_Green Software Foundation” available [here](#).

<sup>5</sup> Anonymous (UID 30).

<sup>6</sup> ERM (UID 224). File: “General\_Proposal\_ERM” available [here](#).

<sup>7</sup> Note that the GHG Protocol *Technical Guidance* itemizes and specifies calculation methodologies and associated formulas in Appendix D (p. 162-182), including the supplier-specific method, fuel-based method, asset-specific method, and site-specific method.

<sup>8</sup> The E-Liability Institute (UID 57). File “Scope 3\_Proposal\_E-liability Institute” available [here](#).

be incorporated into financial-accounting-quality reporting because of their forward-looking, estimate-dependent nature". Account for direct and cradle-to-gate value chain emissions in a manner that is "mutually exclusive and comprehensively exhaustive" (MECE), based on the MECE Principle, a grouping principle for separating a set of items into MECE subsets.<sup>1</sup>

Category-specific feedback from proposal submitters:

4. Category 1 (Purchased goods and services)
  - a. Augment the average-data method for assessing emissions from purchased goods and services with an approach that utilizes primary activity data inputs and secondary emission factor data inputs to enhance the accuracy of category 1 estimates.<sup>2</sup>
5. Category 11 (Use of sold products)
  - a. Develop clear rules for quantifying and accounting for emissions attributable to the use of sold products when the product is leased as a service (e.g., product-as-a-service, PaaS). This would support circularity and lifespan extension. Refer to section G.3, Durability and long-lived products, G.4, Reuse, recycling, and circular economy, and G.5, Depreciate, amortize, or annualize GHG results, in the *Detailed Summary of Scope 3 Survey Responses*.<sup>3</sup>
  - b. Enable 'in year' accounting of emissions attributable to the use of sold products, including current-year sold products and previous-year sold products. This includes factoring in real-time product status and usage. A few proposal submitters asserted that this would incentivize engaging with customers to procure renewable energy, optimize product use, and deliver updates that improve energy efficiency. Another proposal submitter noted a fully funded whitepaper scheduled for release in Q4 2023, which may outline such a calculation method.<sup>4</sup>
6. Category 15 (Investments)
  - a. Develop a calculation method using spend-based emission factors that multiplies "each asset category's total dollar amount by... [a] specific bank(s)' carbon intensity metric for that asset category... [or] use the most comparable equivalent via a national average or an intensity for a bank with similar lending/investing profiles."<sup>5</sup>

### 3.2. Allocation

This section summarizes proposal submitter feedback concerning allocating emissions. Refer to section G, Allocation, in the *Detailed Summary of Scope 3 Survey Responses*.

Recommendations from proposal submitters:

1. Adjust the GHG Protocol's current inventory approach with a "gross-flow" accounting and reporting approach that includes atmospheric CO<sub>2</sub> removal and uptake in materials, and the eventual EOL release of embedded (contained) carbon. Deduct CO<sub>2</sub> removal and sequestration at the beginning of the life cycle, in an inventory, in the reporting year when it occurs. Add back the released emissions at the end of the life cycle, in an inventory, in the reporting year when it occurs. Removals and eventual releases would "sum up [or net] to zero." This would report "all

<sup>1</sup> Stanford University Sustainable Finance Initiative (UID 78). File: "General\_Proposal\_Stanford University (STC & SFI)".

<sup>2</sup> Fashion Industry Charter for Climate Action (UID 53). File: "Scope 3\_Proposal\_FICCA" available [here](#).

<sup>3</sup> Sustainable AG (UID 42). File: "Scope 3\_Proposal\_sustainable AG\_10" available [here](#).

<sup>4</sup> Anonymous (UID 72), Anonymous (UID 56), and Anonymous (UID 15).

<sup>5</sup> Anonymous (UID 51).

existing carbon flows... [in the year that they occur] without hiding flows in a [net] balance” like the GHG Protocol’s current inventory approach does. This proposal submitter classified the GHG Protocol’s inventory approach as “net-flow” and asserted that aggregating net-flows conceals “[gross] flows”. Diagrams and a cost-benefit matrix comparing each approach was provided.<sup>1</sup>

2. Consider the “inclusion of the concept of [carbon] transfers which... increase or decrease carbon pools<sup>2</sup>”. It was also proposed that the GHG Protocol consider the implication of gross-flow accounting, including for “renewable feedstock-based circular” activities.<sup>3</sup>
3. Standardize the transfer of direct and upstream cradle-to-gate emissions via sold products, with every counterparty transaction, such that every tonne of cradle-to-gate CO<sub>2</sub> emissions is owned. One proposal submitter asserted that this could make it possible to manage, regulate, control, and enforce emissions records like financial liabilities, until said emissions (“E-liabilities”) are effectively offloaded<sup>4</sup> to final individual customers. Such an Emissions Liability Management (ELM) system could have implications for the use of Energy Attribute Certificates (EACs) and offset certificates for emissions reduction or avoidance versus removal and sequestration.<sup>5</sup>
4. Specify a consistent methodology for allocating corporate GHG inventory results to products, with sector-specific guidance.<sup>6</sup> Consider relying on Together for Sustainability and/or the Mechanical Engineering Industry Association for developing sector-specific guidance.<sup>7</sup>

#### Support requests from proposal submitters:

1. Provide further guidance (including examples and case studies) on how to allocate emissions associated with purchased goods and services, particularly primary supplier-specific emissions data. This includes allocating emissions associated with sold services. Value chain partners are being pressed to provide supplier-specific emissions data to their clients.<sup>8</sup>

#### Category-specific feedback from proposal submitters:

5. Capital 2 (Capital goods)
  - a. Let companies depreciate cradle-to-gate or ‘sunk’ emission associated with capital equipment (including machinery, vehicles, facilities, infrastructure, etc.) utilizing, for example, straight-line depreciation or declining balance depreciation methods.<sup>9, 10</sup>

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<sup>1</sup> Henkel AG & Co. KGaA (UID 209); file: “General\_Proposal\_Henkel\_1” available [here](#).

<sup>2</sup> Not that the term, pool, is defined in the (draft) *Land Sector and Removals Guidance* as, “A physical reservoir or medium where a GHG or its constituent elements are stored.”

<sup>3</sup> Renewable Carbon Initiative (RCI) (UID 88); file: “General\_Proposal\_RCI” available [here](#).

<sup>4</sup> The term ‘offloaded’ is being used by the GHG Protocol to describe the eventual, effective transfer of formerly company-owned E-liabilities to individual customers (not business-to-business transactions) at the final point of sale.

<sup>5</sup> Stanford University Sustainable Finance Initiative (UID 78). File: “General\_Proposal\_Stanford University (STC & SFI)”.

<sup>6</sup> Note that Chapter 8, Allocating Emissions, in the *Scope 3 Guidance*, and Chapter 9, Allocation, in the *Product Life Cycle Accounting and Reporting Standard* published by the GHG Protocol and referenced in the *Scope 3 Standard*, both provide guidance on allocation.

<sup>7</sup> Sustainable AG (UID 43). File: “Scope 3\_Proposal\_sustainable AG\_11” available [here](#).

<sup>8</sup> Anonymous (UID 14).

<sup>9</sup> Anonymous (UID 17).

<sup>10</sup> Anonymous (UID 17).

### 3.3. Waste treatment and recycling

This section summarizes proposal submitter feedback concerning waste treatment, including recycling and other business activities commonly termed 'circular'. Refer to section G, Allocation, and specifically, G.3, Durability and long-lived products, and G.4, Reuse, recycling, and circular economy, in the *Detailed Summary of Scope 3 Survey Responses*.

Feedback from proposal submitters:

- A group of proposal submitters asserted that the current method of accounting for scope 2 emissions associated with district heat generated from waste incineration with energy recovery does not incentivize waste reduction. Waste generating companies, being able to recognize zero emissions from WTE, are not incentivized to reduce, repurpose, or recycle waste — as sending it to incineration is often easier. Energy purchasers are dis-incentivized from purchasing district heating that relies on WTE, since alternative sources (e.g., geothermal heat pumps or hydro) would reflect significantly fewer emissions in said purchaser's GHG inventory.<sup>1 2</sup>

Recommendations from proposal submitters:

1. Allocate emissions associated with waste incineration to the waste generator and *not* the energy recovery process. Waste incineration "with or without recovery, is primarily a waste treatment service, providing a hygienic task to society." The company that generates and sends waste to an incinerator for energy recovery should "account for the resulting GHG emissions [from combustion thereof] in their [GHG inventory]". This satisfies the 'Polluter Pays' principle. This change would affect p. 80 of the *Standard* and would result in the energy generated from waste incineration (combustion) being accounted for as causing zero (0) emissions.<sup>3</sup> Another proposal submitter termed this a "reverse cut-off" approach whereby "GHG emissions of the waste management, be it incineration... or recycling or recovery processes are assigned to the producer of the waste following the 'polluter pays principle'".<sup>4</sup> This could have implications for "renewable carbon source[s]", biogenic feedstock, synthetic methane, and chemical recycling.<sup>5</sup>

Support requests from proposal submitters:

2. Develop more standardized guidance for end-of-life (EOL) treatment types or options, for certain products and/or product families, and consider expanding and clearly defining the system boundary (e.g., transportation of waste, waste treatment).<sup>6</sup>
3. Develop guidance concerning accounting for emissions attributable to reclaimed refrigerants.<sup>7</sup>
4. Provide more guidance on modeling and estimating GHG emissions attributable to end-of-life (EOL) treatment, particularly for liquid products and chemicals.<sup>8</sup>

<sup>1</sup> Fortum Oyj (UID 19). File: "Scope 2-Scope 3\_Proposal\_Fortum Oyj" available [here](#).

<sup>2</sup> Göteborg Energi AB (UID 20). File: "Scope 2-Scope 3\_Proposal\_Göteborg Energi AB" available [here](#).

<sup>3</sup> Fortum Oyj (UID 19). File: "Scope 2-Scope 3\_Proposal\_Fortum Oyj" available [here](#). This underlying, proposed recommendation was submitted by Stockholm Exegi (UID 21) (File: "Scope 2-Scope 3\_Proposal\_Stockholm Exegi"), Anonymous (UID 44), Sysav, Sydskånes avfallsaktiebolag (UID 45) (File: "Scope 2-Scope 3\_Proposal\_Sysav"), The Norwegian District Heating Association (NDHA) (UID 46) (File: "Scope 2-Scope 3\_Proposal\_NDHA"), Malarenergi (UID 76) (File: "Scope 2-Scope 3\_Proposal\_Malarenergi"), Tekniska verken i Linköping AB (UID 47) (File: "Scope 2-Scope 3\_Proposal\_Teknikaverken"), all of which are available [here](#).

<sup>4</sup> Henkel AG & Co. KGaA (UID 210). File: "General\_Proposal\_Henkel\_2" available [here](#).

<sup>5</sup> Renewable Carbon Initiative (RCI) (UID 88); file: "General\_Proposal\_RCI" available [here](#).

<sup>6</sup> Sustainable AG (UID 34). File: "Scope 3\_Proposal\_sustainable AG\_2" available [here](#).

<sup>7</sup> Yale Carbon Containment Lab (UID 7). File: "Corporate Standard-Scope 3\_Proposal\_Yale Carbon Containment Lab" available [here](#).

<sup>8</sup> Anonymous (UID 67).

## 4. Comparability and additional metrics

Proposal submitter feedback summarized in this section corresponds with stakeholder survey feedback summarized in section H, Target setting and performance tracking, and J, Reporting, in the *Detailed Summary of Scope 3 Survey Responses*.

Feedback from proposal submitters:

- The lack of comparability between scope 3 GHG inventories was raised by several proposal submitters, noting that “market participants require comparability to make decisions” (e.g., for a cost-benefit analysis of mitigation options), as do “policies aimed at using market mechanisms to [allocate capital towards and to] address climate change” mitigation. Similar proposal submitter feedback concerning instruments is itemized in section 5, Market-based accounting approaches. The proposal submitter asserted that, while inventories and metrics “are suitable for trend analysis, continuous improvement, and target setting,” however, they are “not fit-for-purpose in making comparative assertions between multiple entities.”<sup>1</sup>
- The incomparability of short-lived versus long-lived products and associated lifetime emissions needs to be prominently addressed in the *Standard*. Product durability is dis-incentivized when only aggregate, lifespan emissions from product use are measured, absent additional metrics.<sup>2, 3</sup>
- The “crediting for [or allocation of] scope 3 reductions should be more flexible than for scopes 1 and 2, to better match the specific characteristics of value chain emissions via-à-vis operational scopes 1 and 2 emissions”, due to scope 3 data availability, quality, and reliability challenges.<sup>4</sup>
- Consider “the treatment of investments or procurements that accelerate real and measurable reductions, including [the] commercialization and deployment of advanced carbon-free technologies”. Review Frontier Climate, First Movers Coalition, and/or the Catalyzed Emissions Reduction Framework. Scope 3 emissions reduction warrants more research, experimentation, and stakeholder engagement.
- Evaluate “whether attributional methodologies for scope 3 are uniquely relevant, and/or whether there is a role for consequential methodologies... and if so, what constraints, data pipelines, implementation feasibility, and other considerations should be evaluated to determine [the] accuracy and usefulness of consequential accounting methodologies and metrics.”<sup>5</sup>

Recommendations from proposal submitters:

1. Develop an alternative method to account for scope 3 emissions reductions and the recognition of, or crediting for, scope 3 reductions. Because scope 3 boundaries are broader than scope 1 and scope 2 boundaries, therefore it requires different and more flexible calculation methods and approaches for accounting and recording reductions. This is necessary to better match the specific characteristics of value chain emissions versus operationally controlled scopes 1 and 2 emissions. A “market-based scope 3 [method] is a reasonable solution to investigate for this purpose.” Alternatively, or in concert, “updated guidance should consider the treatment of investments or procurements that accelerate real and measurable reductions, including

<sup>1</sup> University of Oxford, Oxford Net-Zero (UID 131). File: “General\_Proposal\_Oxford Net Zero” available [here](#).

<sup>2</sup> Nilfisk A/S (UID 27). File: “Scope 3\_Proposal\_Nilfisk AS” available [here](#). This feedback was reiterated by Anonymous (UID 143) and Anonymous (UID 144) which reflect the view of a group of companies.

<sup>3</sup> Anonymous (UID 17).

<sup>4</sup> Anonymous (UID: 139).

<sup>5</sup> Anonymous (UID: 139).



commercialization and deployment of advanced carbon-free technologies” like Frontier Climate, First Movers Coalition, and/or the Catalyzed Emissions Reduction Framework.<sup>1</sup>

2. Specify that only companies that can evidence emissions mitigation contributions in their value chain — either by financing or operational support — can count or claim these reductions either in their GHG inventory or separately. While double counting is “sound and... aligned with... carbon neutrality,” however, the *Scope 3 Standard* lacks guidance on how to claim, account for, and report emissions reductions achieved within a reporting company’s value chain.<sup>2</sup>
3. “If comparability of emissions [between or by distinct entities] is not an important attribute... [then the] GHG Protocol [should] include a disclaimer that GHG [inventories] cannot be used for comparative assertions between different organizations.” Provide an unambiguous statement that “results are not intended to be used in comparative assertions intended to be disclosed to the public.”<sup>3, 4</sup> Refer to recommendation 3 in section 2.1 for said proposal submitter’s feedback if comparability between companies’ GHG inventories *is* important.
4. Add requirements and guidance for methodological alignment with intensity targets to Chapter 9, Setting a GHG Reduction Target and Tracking Emissions Over Time, in the *Scope 3 Standard*. Without tighter guidance or less optionality, “companies will be incentivized to make the allowed methodological choices that get them ‘below’ the target” (e.g., by using different allocations methods selectively).<sup>5</sup> Similar feedback was made by another proposal submitter.<sup>6</sup>
5. Create an exclusion for targets (e.g., emissions reduction targets for category 11 emissions from the use of sold products) that companies cannot materially change or only with varying degrees of influence. Consider a similar exclusion rule for all categories.<sup>7</sup>
6. Consider developing a “highly structured and standardized reporting of [a] company’s input-output data” in “more complete and robust data formats... so that quality checking and assurance can be applied in a more streamlined way”.<sup>8</sup>
7. Create a product-specific indicator or measure (e.g., kgCO<sub>2</sub>e/unit or kgCO<sub>2</sub>e/year) as an additional or different indicator that accounts for and promotes the longevity of products.<sup>9</sup>

#### Support requests from proposal submitters:

1. Provide more guidance for companies to “distinguish... abatement progress and improvement in measurement so that companies can more consistently report on progress in emission[s] reduction due to these two different drivers.” A few respondents provided similar feedback in the *Detailed Summary of Scope 3 Survey Responses*.<sup>10</sup>
2. Provide more base year guidance, by scope 3 category. Provide additional guidance regarding “when and how entities should collect high-quality data along with examples that demonstrate best practice.” Several other recommendations provided by this proposal submitter are itemized in the *Detailed Summary of Scope 3 Survey Responses*.<sup>11</sup>

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<sup>1</sup> Anonymous (UID 139).

<sup>2</sup> Athian (UID 31). File: “Scope 3\_Proposal\_Athian” available [here](#).

<sup>3</sup> University of Oxford, Oxford Net-Zero (UID 131). File: “General\_Proposal\_Oxford Net Zero” available [here](#).

<sup>4</sup> The *Scope 3 Standard* states that, because “multiple companies in a value chain” may account for the same “direct and indirect emissions”, therefore “emissions should not be aggregated across companies to determine total emissions in a given region.”

<sup>5</sup> WWF U.S. (UID 16). File: “General\_Proposal\_WWFUS-markets-institute” available [here](#).

<sup>6</sup> Anonymous (UID 85).

<sup>7</sup> Anonymous (UID 75).

<sup>8</sup> Rho Impact (UID 64). File: “Scope 3\_Proposal\_Rho Impact” available [here](#).

<sup>9</sup> Sustainable AG (UID 42). File: “Scope 3\_Proposal\_sustainable AG\_10” available [here](#).

<sup>10</sup> Terrascope (UID 80). File “Corporate Standard-Scope 3\_Proposal\_Terrascope\_2” available [here](#).

<sup>11</sup> Deloitte (UID 60). File “Scope 3\_Proposal\_Deloitte\_1” available [here](#).



## 5. Market-based accounting approaches

Proposal submitter feedback summarized in this section corresponds with stakeholder survey feedback summarized in section M, Market-based accounting approaches, in the *Detailed Summary of Scope 3 Survey Responses*. Note that a detailed summary of feedback for market-based accounting is forthcoming and will be made available [here](#).

Proposal submitter feedback summarized in this section corresponds with stakeholder survey feedback summarized in section M, Market-based accounting approaches, in the *Detailed Summary of Scope 3 Survey Responses*. Note that a forthcoming GHG Protocol publication, *Detailed Summary of Survey Responses for Market-based Accounting*, will be released in the coming months and will include more comprehensive feedback from stakeholders on the integration of market-based accounting approaches in scope 1, scope 2, and/or scope 3 inventories. Stakeholder feedback on the current scope 2 market-based method is covered in the *Detailed Summary of Survey Responses on Scope 2 Guidance* as well as the *Summary of Proposal Submissions Related to Scope 2 Guidance* (both are available [here](#)).

Background:

At present, no guidance exists in the *Scope 3 Standard* (2011) nor the *Technical Guidance* (2013) concerning market-based accounting, including using value chain partners' emissions data calculated using the scope 2 market-based method in a scope 3 inventory. Market-based accounting guidance exists today only in the *Scope 2 Guidance* (2015), which provides limited discussion on passing along dual-reported scope 2 emissions information to reporting entities calculating a scope 3 inventory.

Note that the term 'market-based accounting approach' is used here generally to refer to both the existing market-based method used exclusively in the scope 2 inventory, and various currently undefined or proposed methods to account for instruments purchased by a reporting company or its value chain partners. New approaches may rely on or feature a variety of different units of measure and have been proposed to be accounted for both inside and outside of a reporting entity's scope 3 inventory. The term 'instrument' refers broadly to all existing and non-existing instruments, including project-based credits (e.g., offsets and insets), value chain interventions (e.g., supply shed), and chain of custody models (e.g., mass balance and book-and-claim).

### 5.1. Using scope 2 market-based emissions data in a scope 3 inventory

Between the scope 3 survey and the scope 3 proposals, many survey respondents and proposal submitters requested that a market-based accounting approach be specified in or alongside scope 1, scope 2, and scope 3 inventories. This section summarizes scope 3-related market-based accounting approach proposals that concern, specifically, the use of scope 2 market-based emissions data from value chain partners in a reporting entity's scope 3 inventory. For a summary of proposals concerning other scope 3-related market-based accounting approaches, refer to [5.2](#).

Feedback from proposal submitters:

- Some proposal submitters asserted that the "absence of information in the GHG Protocol detailing the acceptance and application of market-based instruments — namely, energy

attribute certificates (EACs) — currently hinders and discourages... action that can advance systemic electric grid decarbonization.”<sup>1, 2</sup>

Recommendations from proposal submitters:

1. “Explicitly state that market-based accounting should not be used for scope 1, 2, or 3. This would ensure consistency across the scopes, and would also resolve the problem with the current scope 2 guidance.”<sup>3</sup> Refer to the “Generic Approach” provided in coordination with this recommendation, summarized in recommendation 1 in section 5.2.
2. Allow reporting companies to utilize their value chain partners’ market-based scope 2 emissions in said reporting companies’ scope 3 inventory.<sup>4</sup>

## 5.2. Other market-based accounting approaches

This section summarizes scope 3-related MBA feedback provided by proposal submitters, excluding feedback concerning the scope 2 market-based method, which is summarized in section 5.1.

Background:

At present, no guidance exists in the *Scope 3 Standard* (2011) or the *Scope 3 Technical Guidance* (2013) concerning market-based accounting, including using value chain partners’ emissions data calculated using the scope 2 market-based method in a scope 3 inventory. For more background on the scope 2 market-based method in the context of scope 3 inventories, refer to 5.1.

Feedback from proposal submitters:

- Several proposal submitters requested guidance on whether and how certain instruments could be accounted for in or separately from a scope 3 inventory.<sup>5 6 7</sup>
- A few proposal submitters articulated that there may arise “more and more creative market instruments” as “companies seek to reduce their CO<sub>2</sub>e emissions in their own processes and boundaries as well as in [their] value chain[s]”.<sup>8</sup> They recommended that the GHG Protocol remain abreast of innovative mechanisms, instruments, and/or methods that are developed, and to specify whether they are in line with the GHG Protocol standards and guidance.
- One proposal submitter cautioned that at least one company is selling products and marketing the associated GHG emissions reduction certificates, which are calculated using the project-based method specified in the *Project Protocol*. The proposal submitter stated that this company is asserting that these emissions reductions can be used by clients purchasing their products, in said clients’ scope 3 category 1 inventories.<sup>9</sup>

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<sup>1</sup> Clean Energy Buyers Institute (CEBI) (UID 59); file: “Corporate Standard-Scope 3-Market-based Accounting\_Proposal\_CEBI” available [here](#).

<sup>2</sup> Sustainable AG (UID 37); file: “Scope 3\_Proposal\_sustainable AG\_5” available [here](#).

<sup>3</sup> University of Edinburgh (UID 25); file: “Market-based Accounting\_Proposal\_University of Edinburgh\_1” available [here](#).

<sup>4</sup> Anonymous (UID 86).

<sup>5</sup> ERM (UID 224); file: “General\_Proposal\_ERM” available [here](#).

<sup>6</sup> MJ Hudson (UID 211); file: “General\_Proposal\_MJHudson” available [here](#).

<sup>7</sup> Anonymous (UID 6).

<sup>8</sup> Anonymous (UID 11).

<sup>9</sup> Anonymous (UID 82).

## Recommendations from proposal submitters:

1. Create a generic approach alongside all scopes:
  - a. "Explicitly state that market-based accounting should not be used for scope 1, 2, or 3. This would ensure consistency across the scopes, and would also resolve the problem with the current scope 2 guidance."<sup>1</sup> Integrate a "Generic Approach" for instruments that does *not* account for GHG emissions attributable to or associated with the purchase of instruments, consisting of the following rules: (1) when source traceability is possible, an entity shall report (primary) source emissions; (2) when source traceability is *not* possible, an entity shall use "the average of sources within the activity pool that physically serves the reporting entity"; and (3) "any changes in emissions by the reporting entity should be calculated using a consequential/intervention accounting method and shall be reported separately from the GHG inventory".<sup>2</sup>
2. Project-based method:
  - a. Use the underlying quantification methodology specified by GHG Protocol in the *Project Protocol* with minor modifications, if any, to quantify and generate insets.<sup>3</sup> Note that more feedback on potential chain-of-custody, sponsorship (procurement), and right-to-claim was articulated and will be summarized in the *Detailed Summary of Scope 3 Survey Responses for Market-based Accounting* (to be released).
  - b. Specify whether emissions reductions calculated using the project-based method, and allocated to sold products for use by purchasing clients in their scope 3 category 1 inventories, whether this is standard-compliant or whether these emissions should be reported separately.<sup>4</sup>
  - c. Let suppliers or selling companies utilize the project-based method to quantify emissions reduction, which then can be transferred via credits or certificates. Credit purchasing companies — that financed the emissions reduction(s) — should be allowed to effectively offset their scope 3 emissions that are tied to the products that said reporting company purchased from the supplier. Require that suppliers prepare pre-project PCFs (effectively baseline PCFs) and post-project PCFs (actuals) and only let companies that purchase credits recognize the emissions reduction.<sup>5</sup>
3. Other methodologies:
  - a. Develop a mechanism by which insets can be accounted for in scope 1 and scope 3 inventories. A proposed definition is "the financing of climate protection projects along a company's own value chain that demonstrably reduce or sequester emissions and thereby achieve a positive impact on the communities, landscapes and ecosystems associated with the value chain" (attributed to Myclimate.org by the proposal submitter) along with some high-level specifications.<sup>6</sup>
  - b. Develop a six-step decision-making approach for using or applying market-based attributes, which include accounting for (i) traceability versus non-traceability, (ii) distinguishing instruments generating and originating from a reporting company's value chain, 'activity pools', supply sheds, and/or potentially contiguous but external markets, (iii) causality, (iv) project-specific emission factors, (v) emission reductions, (vi) residual

<sup>1</sup> University of Edinburgh (UID 25); file: "Market-based Accounting\_Proposal\_University of Edinburgh\_1" available [here](#).

<sup>2</sup> *Ibid*.

<sup>3</sup> Verra (UID 50). File: "General\_Proposal\_Verra" available [here](#).

<sup>4</sup> Anonymous (UID 82).

<sup>5</sup> Dow Inc. (UID 48). File: "General-Market-based Accounting\_Proposal\_Dow Inc" available [here](#).

<sup>6</sup> Anonymous (UID 113).

- average emissions rates, and (vii) the use of the consequential/intervention accounting method to quantify changes in emissions (increases or decreases).<sup>1</sup>
- c. Do not publish Annex B of the *Land Sector and Removals Guidance* (as of 2022) or replace it with a note that allows companies to use a market-based approach if scope 2 criteria are met. This feedback concerned the use of biomethane certificates to adjust scope 1 emissions.<sup>2</sup>
4. Downstream:
    - a. Allow franchisors to purchase and use EACs to reduce the measured or estimated scope 3 emissions from electricity purchased by franchisees (i.e., by franchisor-led procurement). The “absence of a valid franchisor-led approach to accessing EACs to address franchisee electricity emissions creates at least three significant inhibitors to [low-carbon] electricity deployment”: limiting solutions availability, sub-optimal technology deployment, and fractured scalability.<sup>3</sup>
    - a. Let reporting companies purchase and apply EACs towards future emissions and associated energy-use from the use of sold products (category 11), despite the temporal incongruence. Recognize and equate future emissions with installed base emissions.<sup>4</sup>
  2. Applicability:
    - a. Develop and/or align with one or more book-and-claim program(s) to facilitate the application of market-based instruments towards scope 3 inventories.<sup>5</sup>
    - b. Specify the application of certain instruments, including sustainable aviation fuels, renewable natural gas, green hydrogen, recycled steel and aluminum, cement, and other commodities manufactured using carbon capture and storage. “application... [of certification/chain-of-custody] models for at least the following: (a) sustainable aviation fuels (SAFs), (b) renewable natural gas (RNG) certificates, (c) green hydrogen [or pink/purple hydrogen], (d) recycled steel, aluminum (or other metals were recycling offer a much lower and certifiable footprint than virgin alternatives), and € cement or other energy intense commodities manufactured in sites equipped with [carbon capture and storage]”.<sup>6</sup>
  3. Traceability:
    - a. Develop a book-and-claim chain-of-custody model that is based on existing GHG trading methodologies and therefore has applicability. The proposal submitter asserted that, while book-and-claim is more tested for freighting businesses, however, it could be used to produce offsets or insets or a different instrument(s) “governed by the inventory accounting methods” that “de-couple[s] emission profiles from a physical supply chain... based on emission reductions/avoidance”. This proposal submitter noted that such revisions would be relevant for Chapter 6 and Chapter 9 of the *Scope 3 Standard*. Further, guidance would be necessary in Chapter 6, 7, 8, and 11 regarding using inventory accounting methods to report trades of emission profiles de-coupled by book and claim chain-of-custody models, collecting data and reporting the result of trades.<sup>7</sup> A similar position was provided on the need for GHG Protocol standard revisions concerning the use of book-and-claim chain-of-custody systems.<sup>8</sup>

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<sup>1</sup> University of Edinburgh (UID 26). File: “Market-based Accounting\_Proposal\_University of Edinburgh\_2” available [here](#).

<sup>2</sup> Anonymous (UID 1).

<sup>3</sup> Coho Climate Advisors LLC (UID 4). File: “Scope 3\_Proposal\_Coho” available [here](#).

<sup>4</sup> Sustainable AG (UID 35). File: “Scope 3\_Proposal\_sustainable AG\_3” available [here](#).

<sup>5</sup> Anonymous (UID 8).

<sup>6</sup> Agendi (UID 77). File: “Scope 2-Scope 3-Market-based Accounting\_Proposal\_Agendi” available [here](#).

<sup>7</sup> Anonymous (UID 55).

<sup>8</sup> Smart Freight Centre (SFC). File: “Corporate Standard-Scope 3\_Proposal\_SFC” available [here](#).

## 6. Miscellaneous

The following miscellaneous proposal submitter feedback is not listed in order of priority or weighting. Similar feedback was provided by survey respondents and is summarized in the *Detailed Summary of Scope 3 Survey Responses*.

Recommendations from proposal submitters:

1. Develop a forum moderated by the GHG Protocol's in-house experts for sustainability professionals to post their questions, issues, approaches, and feedback. Current guidance does not always provide for clear-cut interpretation.<sup>1</sup>
2. Create a 'Turbo Tax' tool of sorts for companies to prepare standard-conforming inventories subject to warranties and representations from submitting companies.<sup>2</sup>
3. Review the Environmental Genome Initiative (EGI) database of industrial chemicals emission factors for the "Built on GHG Protocol" mark. The EGI database includes chemicals listed under the U.S. Toxic Substances Control Act (TSCA) and the EU Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).<sup>3</sup>
4. Provide clear signposting, beyond the "Built on GHG Protocol" mark, for the Global Logistics Emissions Council (GLEC) Framework to calculate scope 1 and scope 3 category 3, category 4, and category 9 emissions. Maintain a closer relationship with the Smart Freight Centre (SFC).<sup>4</sup>

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<sup>1</sup> Anonymous (UID 107).

<sup>2</sup> Anonymous (UID 70).

<sup>3</sup> Environmental Genome Initiative (UID 28). File: "Scope 3\_Proposal\_Environmental Genome Initiative" available [here](#).

<sup>4</sup> Smart Freight Centre (SFC) (UID 112). File: "General\_Proposal\_SFC" available [here](#).