

# Scope 3 TWG Group A Meeting Minutes

Meeting number 1

Date: 24 October 2024

Time: 09:00 – 11 :00 ET

Location: Virtual

## Attendees

### Technical Working Group Members

1. Sahil Aggarwal, Greenview
2. Alissa Benchimol, Greenhouse Gas Management Institute
3. Zola Berger-Schmitz, Science Based Targets initiative
4. Bin Chen, Fudan University
5. Dario Alessandro De Pinto, BANCA D'ITALIA
6. Verena Ehrler, IESEG School of Management
7. René Garrido, Universidad de Santiago de Chile
8. Michael King, Cisco Systems, Inc.
9. Wenjuan Liu, RMI
10. Christoph Meinrenken, Columbia University
11. Elliot Muller, CIRAIG, Polytechnique Montréal
12. Julie Sinistore, WSP
13. Sangwon Suh, Watershed
14. Carl Vadenbo, ecoinvent association
15. Luhui Yan, Carbonstop

### Guests

N/A

### GHG Protocol Secretariat

1. Natalia Chebaeva
2. Pankaj Bhatia
3. Claire Hegemann
4. Alexander Frantzen
5. David Rich

## Documents referenced

1. Draft Standard Development Plan
2. Draft Decision-Making Criteria
3. Discussion Paper A.1 Inventory Quality

## Summary

Item	Topic and Summary	Outcomes
1	<b><i>Housekeeping</i></b> The Secretariat presented the housekeeping slides.	N/A
2	<b><i>Problem statement</i></b> The Secretariat presented the Problem Statement slides. The robustness of the presented data was discussed.	N/A
3	<b><i>Suggested approach and plan</i></b> The Secretariat presented the suggested approach and plan slides. The group discussed the notification process regarding upload of documents to the sharepoint.	The Secretariat to notify TWG members about document upload via email
4	<b><i>Scope 3 inventory objectives</i></b> The Secretariat presented the approach regarding the connection between inventory objectives and inventory quality and stated the discussion questions for the group. The group discussed: <ul style="list-style-type: none"> <li>• The assumption that pursuing different objectives in scope 3 inventory calculation may require different inventory quality</li> <li>• Potential changes to the business goals currently listed in the <i>Scope 3 Standard</i> (Chapter 2, Business Goals, Table 2.1)</li> <li>• The connections between the objectives (presented by the business goals listed in Chapter 2) and the required data quality of the inventory</li> </ul>	N/A
5	<b><i>Next steps</i></b> The Secretariat presented the next steps slides.	N/A
6	<b><i>Scheduling</i></b> The Secretariat presented considerations for the planning of the rotating-time meetings. The Secretariat reminded the TWG members about the poll on time availability. The group discussed the importance of equity for development of a just standard.	TWG members to indicate their time availability via the poll. The Secretariat to summarize results and propose the time for rotating meetings.

## Summary of discussion and outcomes

### 1. Housekeeping

- The Secretariat presented the housekeeping slides (see slides 4-5)

#### Summary of discussion

- N/A

#### Outcomes (e.g. recommendations, options)

- N/A

### 2. Problem statement

- The Secretariat presented the problem statement slides (see slides 7-10)

#### **Summary of discussion**

- Technical working group (TWG) members inquired about the robustness of the survey data presented, in particular, regarding the sample size of survey respondents
- The Secretariat highlighted the subjective nature of the data due to the non-randomly selected, i.e., self-reporting of, respondents and referenced the exact samples sizes of referenced surveys

#### Outcomes (e.g. recommendations, options)

- N/A

### 3. Suggested approach and plan

- The Secretariat presented the suggested approach and plan slides (see slides 12-17)

#### Summary of discussion

- TWG members inquired about the notification procedure for when supporting documents for TWG meetings will become available. The Secretariat clarified that the materials will be uploaded to the SharePoint and that TWG members will be informed via an email

#### Outcomes (e.g. recommendations, options)

- The Secretariat to notify the TWG members about upload of relevant materials to the SharePoint with an email

### 4. Scope 3 inventory objectives

- The Secretariat presented the approach regarding the connection between inventory objectives and inventory quality, including the current objectives listed in the *Scope 3 Standard*, and stated the discussion questions for the group (see slides 20-23)

#### Summary of discussion

4.1. Discussion of the assumption that pursuing different objectives in scope 3 inventory calculation may require different quality of the inventory

- In an indicative poll asking the question at the start of the discussion, 81% of the present TWG members agreed that pursuing different objectives in scope 3 inventory calculation may require different quality of the inventory.
- In support of this assumption, TWG members highlighted:
  - Decades of development of scope 3 and life cycle assessment (LCA) frameworks, as well as LCA literature conclude that data quality for scope 3 can't be defined without understanding the goal and objectives. "Application dependency" is to this day understood as the basic principle of life cycle analysis.
  - Examples were provided where secondary data representativity for a given purpose can be higher than data from sources commonly perceived as of higher quality (historical baselining, low quality supplier specific data)
  - While the highest quality data is ideal and should be aimed for, feasibility poses challenges in achieving this. In that context, the quality that meets a given purpose can be sufficient.
- TWG members highlighted the following counterarguments to the assumption:
  - No matter what the original purpose of the inventory is, preparers should aim for high quality inventories rather than simply following what is feasible.
  - Companies need to take responsibility for the emissions and, to ensure fairness, responsibility should be based on the "real" data. GHG Protocol in this sense should facilitate reaching climate targets. That being said, there are situations where companies cannot access or provide higher quality data; and these companies need to be able to apply and satisfy the GHG Protocol *Scope 3 Standard* requirements while they achieve higher levels of data. Using data of lower quality however should not be justified by a different objective.
  - It might not be feasible to dictate an objective(s)-specific level of data quality for companies, as this fails to account for feasibility challenges. are just starting to prepare scope 3 inventories may face data availability constraints, and they should be allowed to use different calculation methods based on available data regardless of data quality; however, over time they should improve data quality and rely on calculation methods that deliver higher data quality.
  - Using tiers that organize or specify the data accuracy was suggested to improve transparency on the quality of the data that companies use to calculate scope 3 inventories.
  - Preparers should utilize data and prepare inventories of highest quality. However, definition of "high quality" versus "low quality" is context-dependent and it may not be possible to generalize this consistently.
  - The use of low-quality inventories may lead to misguided decision-making
  - Different organizations may pursue different objectives and prepare inventories of different qualities, undermining comparability between and within organizations. This could impede decision-making of external parties using said inventory results.
  - Once scope 3 emissions results (or scope 1 or scope 2 emission results) are reported and disclosed, these results are and will be used by external parties for a range of different purposes, independent of the original objectives set by the preparer.
  - Posing the question with regards to the pursuit of business goals might not be the right framing, and seems to be unique for scope 3 only (unlike scope 1 and scope 2 emissions).
  - It is questionable if defining the use of an inventory based on a business goal(s) should precede the purpose of the inventory. Leaning into business goals as the starting point for preparing a scope 3 may lead some preparers to deviate from pursuing high quality, physical inventorying in the first place and/or compromise the integrity.
- The Secretariat noted that using the term "business goals" in the provided context may be misleading and in need of a change.
- Some TWG members highlighted that the objectives of a scope 3 inventory for a company may change depending on the company's stage of development. Moreover, the data quality required for meeting the objective for the company may change over time. This introduces another consideration: dynamic change of the required quality.
- The Secretariat clarified that the structure provided in the table on the slide (connecting objectives and inventory quality) serves as a starting point for the TWG discussion, highlighting the range of inventory qualities, and preliminarily capturing the high level of inventory quality required. It is not the intention that the table be included into an updated standard, although it may become a starting

point for the future discussion on setting a minimum quality requirement. The Secretariat expressed the assumption that a company preparing a scope 3 inventory is likely to pursue multiple objectives, and that these objectives may and likely will change over time.

- TWG members noted that the *Scope 3 Standard* narrows down the applications for the inventory, in order to define what the actual GHG emissions from corporate activities throughout the value chain are. Representativity of data is very important, and data quality does not necessarily correspond directly with the data type or source.
- TWG members noted that the conversation about data quality requirements and inventory quality cannot be separated from the conversation of data availability and feasibility of getting better data. While many companies may strive for the highest quality data, they often work with what is available. Setting a decarbonization objective for the inventory may help companies get better data from specific suppliers, if major players in their industry are active in GHG reporting and target setting and given mandates to get the information. In practice, the quality of available data sometimes determines or limits the possible objectives of a resulting inventory.
- TWG members noted that it would be useful to reframe the conversation towards addressing a starting point for companies, and developing guidance for where and how companies should progress. In this sense, setting prescriptive tiers of data quality may support improvement over time.

#### 4.2. Discussion of currently listed objectives (presented as business goals listed in the Scope 3 Standard (Table 2.1))

- TWG members suggested adding the following objectives:
  - Establishing a baseline for emissions that is representative of the company's activities and business
  - Informing emissions data management efforts and efficient use of resources, specifically, for in prioritization of activities.
  - Satisfying and meeting regulatory requirements for compliance and/or other legal considerations.
  - Verification/auditing/SBTi validation/certification.
- TWG members noted that the current list of business goals in Table 2.1 is somewhat disparate, combining accounting steps, actual objectives, and incentivization arguments. An update of the list of business goals was suggested to reflect different purposes or uses, including:
  - Internal purposes or uses
    - Risks, opportunities, inform decisions, etc.
  - Disclosure purposes or uses
    - Including mandatory disclosures or marketing claims
  - Target setting purposes or uses
    - Base year assessments
    - Tracking performance over time

#### 4.3. Discussion of the correspondence of the business goals(s) or objectives to the required inventory quality

- TWG members suggested that there are always internal purposes which can be met by lower quality data, however, the *Scope 3 Standard* may need to focus on what minimum level of quality is needed for external purposes, including voluntary and mandatory disclosures, because readers of disclosures will and do utilize reported scope 3 emissions data in ways that may be inconsistent with the original objective(s) preparers adopted.
- For compliance and to satisfy legal constraints TWG members noted the potential need for raising the required data quality to 'high'.
- The Secretariat asked whether verification plays a part in ensuring or assessing the data quality. TWG members noted that low data quality in the value chain could be mitigated through third party verification. However, many recognized that the current practice is far from this. Some TWG members noted that the available verification levels and wide range of permissible quantification

methods and frameworks may impede the effectiveness of verification (alone) improving or assuring higher data quality.

- The Secretariat inquired if a tiered approach for satisfying certain levels of inventory with certain levels of data could be followed. TWG members noted that the standard should set the “north star” in accounting for the companies, but be mindful of where practitioners are and what the level of data is. A strategic pathway for companies to move from one quality tier to another should be discussed.
- TWG members inquired how the mapping of low, med, high inventory quality levels against objectives (as shown in slide 23 of the presentation) was done, and on what basis those ratings were justified or prepared. The Secretariat clarified that the mapping of low, med, high inventory quality levels were drafted purely as a starting point for this discussion by the Secretariat, and they do not reflect the view or opinion of the GHG Protocol.
- TWG members asked for confirmation regarding the current mapping of low, mid, high inventory quality suggesting that internal purposes can be satisfied through limited quality data, public disclosures can be satisfied with mid-level quality data, anything tied to target setting or reductions requires a higher level of data quality. The Secretariat confirmed this.
- TWG members raised the concern that explicitly communicating the relationship between business goals or objectives and the required data quality for achieving or satisfying said business goals or objective, may impede action. In a way, that would be analogous to saying that if the company did not achieve a certain level of data quality, then they are not ready or not able to act on scope 3 reductions. The problem consideration might benefit from a more dynamic perspective, highlighting what can be done with inventories of different quality levels, e.g. which actions can be carried out. This would promote action and help companies to move from low to higher quality.

#### Other

- TWG members noted that representativeness of data is a key issue, which also needs to be addressed in the context of feasibility.
- TWG members noted that the updated standard should be easy to follow and understand; and that it should or could be comprised of simple, pragmatic, easy-to-follow rules.

#### Outcomes (e.g. recommendations, options)

- N/A

### 5. Next steps

- The Secretariat presented the next steps (see slide 25)

#### Summary of discussion

- TWG members inquired, and the Secretariat confirmed, that meeting participants will be able to fill out the feedback form.

#### Outcomes (e.g. recommendations, options)

- N/A

### 6. Schedule

- The Secretariat presented the considerations for planning of the rotating-time meetings (see slides 27-29).

#### Summary of discussion

- The Secretariat reminded the TWG members about the poll on time availability.
- The group discussed the importance of equity for development of the updated *Scope 3 Standard*.

#### Outcomes (e.g. recommendations, options)

- TWG members to indicate their time availability via the poll.

- The Secretariat to summarize results and propose the time period for rotating meetings.

## Summary of written submissions received prior to the meeting

- TWG members generally agreed with the assumption that pursuing different objectives in scope 3 inventory calculation may require different quality of the inventory, while also stating that mid- to high-quality inventories should be required for some objectives, such as improving corporate accountability, quantifying emissions performance over time, and mandatory disclosures. TWG members called for a clear definition of the different levels of quality.
- TWG members stated that the current objectives remain valid and are broad enough to be applicable for companies regardless of the maturity of their GHG accounting. Objectives of participating in mandatory disclosure programs and carbon markets were noted as potential additions. It was stressed that the *Scope 3 Standard* should maintain the possibility for companies to set their own goals if the objectives currently listed in the *Scope 3 Standard* do not reflect the company's strategy or intent for the scope 3 inventory preparation.
- TWG members noted that it is important to distinguish between objectives for internal versus external purposes, with higher quality inventory being necessary to meet the expectations of external stakeholders.
- TWG members stressed that the objectives must reflect the latest requirements for transparency and accountability. Moreover, the GHG Protocol should consider its role as a reference framework for audit engagements, ensuring that the minimum quality of the inventory supports robust and credible reporting.