

Scope 3 TWG Group A Meeting Minutes

Meeting number 2

Date: 14 November 2024

Time: 09:00 – 11:00 ET

Location: Virtual

Attendees

Technical Working Group Members

1. Sahil Aggarwal, Greenview
2. Nasser Ayoub, EPD International
3. Alissa Benchimol, Greenhouse Gas Management Institute
4. Zola Berger-Schmitz, Science Based Targets initiative
5. Bin Chen, Fudan University
6. Dario Alessandro De Pinto, BANCA D'ITALIA
7. Verena Ehrler, IESEG School of Management
8. Talita Esturba, WayCarbon
9. René Garrido, Universidad de Santiago de Chile
10. Susanne Vedel Hjuler, independent
11. Michael King, Cisco Systems, Inc.
12. Marion Kurdej, EcoAct
13. Wenjuan Liu, RMI
14. Christoph Meinrenken, Columbia University
15. Elliot Muller, CIRAIG, Polytechnique Montréal
16. Julie Sinistore, WSP
17. Sangwon Suh, Watershed
18. Carl Vadenbo,ecoinvent association
19. Cecilia Valeri, PACT WBCSD

Guests

N/A

GHG Protocol Secretariat

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

Documents referenced

1. Discussion Paper A.1 Inventory Quality
2. Scope 3 – Group A – Meeting#2 – Presentation

Summary

Item	Topic and Summary	Outcomes
1	<i>Housekeeping</i> The Secretariat presented the housekeeping rules. A new TWG member was introduced.	N/A
2	<i>Follow-up from the previous meeting</i> The Secretariat presented the summary of the meeting#1 and the feedback received.	N/A
3	<i>Introduction and current requirements</i> The Secretariat introduced the considerations and presented the summary of the current requirements and guidance in the <i>Scope 3 Standard</i> and <i>Technical Guidance</i> .	N/A
4	<i>Options description</i> The Secretariat presented the options under consideration. The group discussed details and necessary clarifications to the options.	N/A
5	<i>Presenting preliminary evaluations</i> The Secretariat presented the preliminary evaluation of the options.	N/A
6	<i>Discussion of the options</i> The TWG discussed the options, highlighting the objectives, opportunities, benefits and drawbacks. A poll was held to indicate which options to take forward for further consideration.	Option 1 will not be pursued further. Further work will consider both options 2 and 3, with a focus on option 3.
7	<i>Next steps</i> The Secretariat presented the next steps.	Secretariat to update the evaluation form and distribute it to the members by November 20 th , 2024.

Discussion and outcomes

1. Housekeeping

- The Secretariat presented the housekeeping rules (see slides 4 - 5)
- The Secretariat introduced a new TWG member.

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

2. Follow-up from the previous meeting

- The Secretariat presented the slides with the summary of the meeting#1 and feedback received after the previous meeting via form submission (see slides 7-8)

Summary of discussion

- A TWG member inquired if the scope 3 inventory objectives considered in meeting#1 will lead to a rephrasing of the current objectives.

Outcomes (e.g. recommendations, options)

- The Secretariat followed up asynchronously explaining that the Scope 3 TWG Group A will consider editing the objectives

3. Introduction and current requirements

- The Secretariat presented the issue of managing data quality and put this meeting's discussion into context of the broader approach to this issue. (see slides 10-11)
- The Secretariat presented the current requirements and guidance of the *Scope 3 Standard* and *Technical Guidance*, regarding data quality (see slides 13-18)

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

4. Options description

- The Secretariat presented three options to address the issue of reporting of inventory quality (see slides 20-33)

Summary of discussion

- Some TWG members highlighted that their perception of the options and respective preferences are subject to the detailed developments of each of the options. One TWG member specified that their contributions to the development of the options, and preference thereof depends on the possibility of changes to the calculation methods. The Secretariat responded that potential changes to the calculation methods may be considered, subject to further understanding the proposal.
- A TWG member inquired regarding option 2 (Data scoring), if in this approach a preparer would be required to perform detailed analysis of data quality for each individual input to the inventory, and questioned the practicality of this approach. The Secretariat provided a parallel with the data scoring in life cycle assessment (LCA), where each flow or only the flows contributing to the main impacts (e.g. 80% of the total) may be scored. The Secretariat further confirmed that high assessment load is

a potential drawback of option 2, and the Scope 3 TWG should consider possible ways to overcome this challenge when evaluating this option.

- A TWG member inquired regarding option 2 (Data scoring), if the expectation would be for the preparer to also disclose the data quality scoring on a disaggregated level. The TWG member highlighted that this might conflict with confidentiality of information disclosed. The Secretariat confirmed that this concern presents an additional drawback of this option, and welcomed further ideas on ways to avoid disclosure of confidential information. Another TWG member suggested a potential reduction of work when an assessment is done on a higher level for certain categories, for example, covering all procurement for one type of commodity with single score. The Secretariat acknowledged the possibility of assessment on higher level, however, the Secretariat highlighted that in such cases scoring should be carried out separately based on the uniform quality of the data (e.g., for the same commodity procured from different suppliers with different sourcing of emission factors, the data quality should be scored separately).
- A TWG member inquired regarding option 2 (Data scoring), if under this option preparers would be expected to conduct data quality assessments on a yearly basis. The TWG member drew a parallel with data quality assessment in LCA, where such work takes significant effort but is carried out once per LCA study and is usually valid for several years. The Secretariat acknowledged the drawback of this option in terms of feasibility.
- A TWG member commented that artificial intelligence (AI) large language models (LLMs) can be trained to do data quality assessment (DQA) which will lower the level of effort needed to carry out this analysis, as long as the guidelines for DQA are clear. Another TWG added that currently not many companies are leveraging AI, and highlighted the need to consider alignment of DQA frameworks across the industry to make the application as easy as possible.
- A TWG member stated that the IPCC appears to be abstract: behind the "descriptors", IPCC uses two dimensions (agreement and evidence) in defining the confidence level.
- A TWG member emphasized that the potential configuration of option 3 (Disaggregated reporting based on quality), and specifically choosing how the tiers would differ, would determine the resulting analysis of the option's pros and cons. For example, if data quality assessment is chosen as the base, then the option becomes similar to option 2. Full evaluation of option 3 is not possible without first specifying what the tiers are based on. The Secretariat agreed and clarified that the current meeting dedicated to a generic choice of direction, then upcoming meetings will discuss further details. It would be helpful to think about the best version of each option, in order to come up with the best solution, including potential other options not presented.
- Another TWG member agreed with the previous speaker and mentioned that a potential alternative to tiers could be differentiation based on calculation or quantification methods. However, this approach would require revisiting the methods currently provided in Annex D of the *Technical Guidance*. The TWG member stated their preference for option 3 in this case. The Secretariat invited the TWG member to provide more detail on a proposal in writing for further consideration, to which the TWG member agreed.
- A TWG member inquired if a combination of the options is possible. For example, using the tiered reporting concept from option 3 but defined through scoring as in option 2. The Secretariat responded that this is an option.
- A TWG member asked which stakeholders are expected to use the data, who is expected to reinforce scoring, and how this should be connected to the objectives of the inventory (considered in meeting#1). The TWG member suggested taking into account the impact of specific datapoints in scoring to promote the use of higher quality data in higher impact categories. The Secretariat clarified the aim to develop a solution applicable to all reporters. The *Scope 3 Standard* currently already emphasizes the prioritization of higher quality data for categories that are significant in size. The goal of the consideration here is to achieve higher transparency and empower readers in making better interpretations. Another TWG member highlighted the use of weighted averages in scoring to promote prioritization. The Secretariat acknowledged that data quality and objectives are connected, and that later discussions will consider whether requirements should be specified objective-agnostically or should be connected to the objective(s)/application(s).
- A TWG member stated that companies, and SMEs in particular, already face a challenge satisfying the many requirements, and suggested to reduce the complexity. From this perspective, simpler but more stringent rules could be beneficial. Less accurate calculation methods should be phased out, given

that in the current state, data and capacity is abundant. The TWG member asserted that exclusions due to data non-availability may be misused and indicate an unwillingness to collect the data.

Outcomes (e.g. recommendations, options)

N/A

5. Preliminary evaluation of options

- The Secretariat presented the summary of a preliminary evaluation of the options concerning meeting the objectives of reporting and the decision-making criteria (see slides 36-37)
- The Secretariat presented the outcomes of the indicative poll, collected prior to the meeting to inform the discussion (see slides 38-39)

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

6. Discussion of the options

The Secretariat presented the prompts for discussion (see slide 41).

Summary of discussion

- A TWG member highlighted the importance of transparency about the data quality in reporting. Currently, GHG inventories are published with limited information on the level of confidence of these data. A mechanism is needed to ensure transparency on the data quality of reported and published GHG inventories.
- A TWG member commented that setting prescriptive data quality requirements could stop companies from using low-quality data instead of using available higher quality data, in cases where the latter results in higher scope 3 GHG emissions.
- A TWG member highlighted that data quality assessment can be highly subjective and rather qualitative, despite the quantitative character of the scoring. Another TWG member agreed and suggested that quantitative uncertainty analysis may be an option.
- A TWG member stated (referring to option 2) that data quality scoring has subjective nature and therefore is challenging to ensure consistency. The member further asserted that verified inventories are not necessarily comprised of higher-quality data compared to unverified inventories. The TWG member recommended that the focus should be on disclosure, in order to provide readers with the information to judge how to interpret and use an inventory, as well as to give stakeholders confidence in the inventory. Scoring should not become the goal itself, and limitation of allowed calculation methods may result in great decline in participation in ambitious target setting. Gradual improvement, currently missing in the system, would help to onboard participants. From this perspective, it would be useful to think about benchmarking the improvement over time. The TWG member supported disaggregation in reporting based on well-defined tiers, complemented by explanations and benchmarks of how companies should improve over time from one tier to the next. The Secretariat acknowledges the subjective character of scoring in option 2, and added that this problem would persist in option 3 as well, if data quality assessment would be chosen to differentiate tiers. The solution for option 3 could be based on non-subjective tiers.

- A TWG member highlighted the connection of data quality assessments in scope 3 accounting with data quality assessments in scope 1 and scope 2, and asked if other workstreams are considering data quality. The TWG member further asked how quality of the scope 1 and scope 2 emissions data will be ensured, especially if the scope 3 emissions data will be judged to be of higher quality if it originates from scope 1 and scope 2 reporting of value chain partners. The Secretariat commented that while the Corporate Standard workstream does have data quality considerations in their scope of work, the main group to address this issue is the Scope 3 TWG. This is due to the larger challenges associated with data quality in scope 3 accounting. The Scope 3 TWG will address it first and communicate the recommendations to other workstreams. The TWG members highlighted that ideally a proposal of Scope 3 TWG should be applicable for and followed by the other workstreams.
- A TWG member emphasized that historically, data scoring as a data quality assessment method, was created as a proxy to defining precise and accurate measurement. From that perspective, quantitative uncertainty analysis should become the north star goal to achieve narrower distribution, reproducible, precise and accurate data. Inclusion of such an option as a more ambitious option could fulfill the role of the GHG Protocol standards to bring the field to the next level through transitioning to higher quality. A transition timeline could be set for the preparers, requiring them to increase quality in X manner over Y years, emphasizing change-oriented language. The Secretariat acknowledged that uncertainty levels is one of the options for tiers definition in option 3, however it seems to be currently of low accessibility and feasibility. The Secretariat asked for the opinion of the TWG member on potential pathways to overcome this challenge. The TWG member acknowledged the challenge but emphasized that climate change is one of the biggest challenges faced by humanity and asserted that it is worth the effort to quantify uncertainty. The TWG member further addressed the currently untapped capacities for improvement and moving to higher levels of data quality, calculation methods, and uncertainty assessment, etc.
- A TWG member stated that option 1 is challenging for preparation and interpretation, as calculation methods may not adequately reflect quality of the data.
- A TWG member expressed the opinion that the considerations should strive for GHG emissions results presentation that is "Bloomberg Terminal ready", i.e., which include quantitative data quality indicators that can be reported along with the volume of emissions. Such indicators could be proxy or actual measures of data quality (e.g., error bars) for reported emissions. In this way, external users of information could discern data improvements over time, and it could incentivize preparers to pursue higher quality data and accuracy for the most GHG-intensive activities identified via hotspotting. The TWG member expressed that:
 - Implementation of option 1 would require a lot of effort from preparers, however, with limited use for stakeholders (for example, of publicly reported inventories). If implemented, the option should refer to the use of internationally recognized databases.
 - Option 2 seems to be subjective and not feasible as it is too detailed and complex due to many datapoints to be scored. Moreover, pedigree matrix assessments may not reflect data accuracy in some cases (e.g. stoichiometrically unchanging or stable chemical processes).
 - Option 3, subject to the specific definition of tiers, can provide transparency over specific parts of a company's footprint, including which sources of emissions are the highest for that specific company, and what the accuracy of that part of the footprint is.
- A TWG member highlighted that some frameworks, in addition to the current *Scope 3 Standard*, require reporting of the percentage of the inventory based on data received from suppliers and value chain partners. The member questioned if this indicator is currently being reported in practice and, if not, the member questioned the viability of adding more reporting indicators (on top of existing, unused indicators). Another TWG member agreed, highlighting that the current standard includes requirements to report descriptions of data quality, not followed by many preparers, and adding complexity would not solve the challenge. This TWG member indicated that while the share of primary data in currently disclosed scope 3 inventories is low, however, corporate reporters are supportive of this indicator.
- A TWG member highlighted the need to ensure that, as a minimum requirement, secondary data used in calculations should be of decent quality. While one of the GHG Protocol's objectives is to enable decarbonization, the TWG member questioned if mandating certain aspects of quality is the role of GHG Protocol or the target setting frameworks and regulations. The TWG member further

expressed the opinion that companies' effort in high quality data collection should focus on key material activities, so they do not spend too much time on disclosure rather than action.

- A TWG member asked about the role of verifiers in the assurance or verification of emissions data as one option for consideration. The Secretariat clarified that assurance and verification will be considered in further discussions on data quality assessment.
- A TWG member stated their preference for option 3. The member further stated that quantitative uncertainty assessment may be more interpretable by stakeholders. The TWG member highlighted that this discussion should also be combined with the discussion on boundary setting, including regarding the prioritization of key activities and categories.
- The Secretariat inquired if it would be helpful to narrow down the requirements consideration to concern, exclusively, high-quality ("North star") emissions reporting, including two or more "goal posts" (with differentiated requirements), and providing guidance that features optionality and flexibility for companies that cannot satisfy a high "goal post" or that are moving from a lower to a higher "goal post".
- A TWG member concluded that there seem to be two workstreams coming from the discussion:
 - Guidance that preparers could use internally for tracking more detailed data and helping companies improve data quality
 - A framework for external reporting, focusing on external indicators that are most useful to communicate the confidence of the data, and to show improvement over time

The TWG member highlighted the need for a solution that could combine the two streams together.

- The Secretariat held a poll on options for proceeding. Option 1 received no support. Options 2 and 3 were decided to be taken into further consideration, exhibiting 5 and 12 votes of support, respectively.

Outcomes (e.g. recommendations, options)

- Option 1 will not be further considered by the TWG.
- Further work will consider options 2 and 3, with greater focus on option 3.

7. Next steps

- The Secretariat presented the next steps (see slide 43) and clarified that based on the discussion held, the ranking form will be updated and distributed expected by Nov. 21

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- The Secretariat to update and distribute the ranking form by Nov. 21

Summary of written submissions received prior to meeting

No submissions received