



# Scope 3 Technical Working Group Meeting

*Working draft, do not cite*

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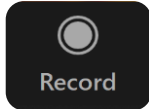
**Group B  
Meeting 1  
Introduction**

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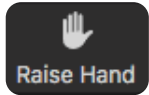
October 31<sup>st</sup>, 2024



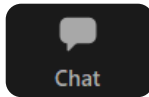
## Welcome and Meeting information



This meeting is recorded.



Please mute yourself by default and unmute when speaking  
Please use the Raise Hand function to speak during the call.



You can also use the chat function in the main control.

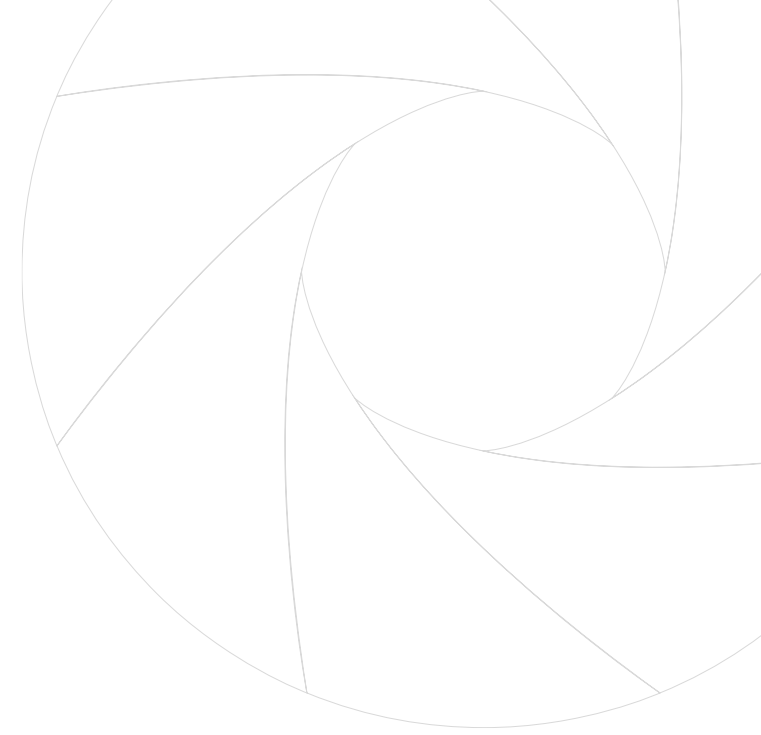


Recording, slides, and meeting minutes will be shared after the call.

# Agenda

- Attendance (5 min)
- Housekeeping (5 min)
- Scope of work with Q&A (30 min)
  - Boundary setting
  - Intermediary parties
  - Target setting and metrics
  - Leased assets
- Break (5 min)
- Intro to discussion paper on boundary setting (45 min)
- Time planning (10 min)
- Next steps (5 min)

# Housekeeping



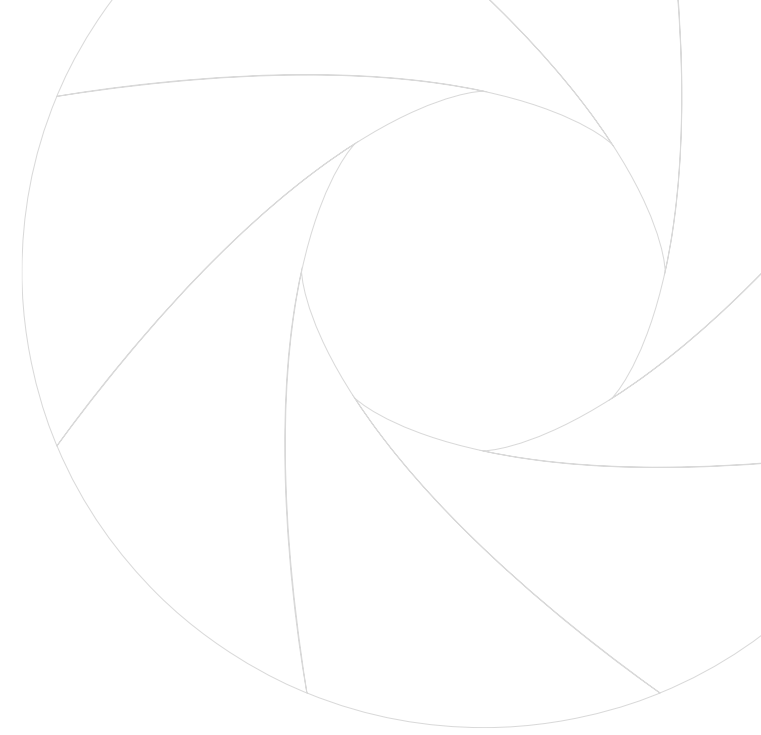
## Housekeeping

- TWG members should **not disclose any confidential information** of their employers, related to products, contracts, strategy, financials, compliance, etc.
- In TWG meetings, **Chatham House Rule** applies:
  - “When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.”
- **Compliance and integrity** are key to maintaining the credibility of the GHG Protocol
  - Specifically, all participants need to follow the **conflict-of-interest policy**
  - **Anti-trust rules** have to be followed; please avoid any discussion of competitively sensitive topics\*

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\* Such as pricing, discounts, resale, price maintenance or costs; bid strategies including bid rigging; group boycotts; allocation of customers or markets; output decisions; and future capacity additions or reductions

# Scope of Work



## Key topics

- **Boundary setting**
  - Relevance, significance, exclusion/optionality, hot-spotting (B.1, B.2, B.3, B.4)
- **Intermediary parties**
  - Intermediary parties (B.5, B.6)
- **Target setting and performance metrics**
  - Targets (B.7)
  - Base year recalculation (B.8)
  - Performance metrics (B.9)
  - Disclosure requirements (B.10)
- **Leased assets**
  - Leased assets (B.11)

## Meetings by topic

Meeting code	Date	Topic(s)
<b>B.1</b>	<b>31 Oct 2024</b>	<b>Kick-off</b>
B.2	21 Nov 2024	Relevance and significance
B.3	12 Dec 2024	Justification of exclusions and optionality
B.4	16 Jan 2025	Hotspotting
B.5	6 Feb 2025	Intermediary parties
B.6	27 Feb 2025	Intermediary parties (continued)
B.7	20 Mar 2025	Target setting updates
B.8	10 Apr 2025	Base year recalculation & decision pathway
B.9	1 May 2025	Category and other performance metrics
B.10	22 May 2025	Disclosure requirements for scope 3 performance communication
B.11	12 Jun 2025	Leased assets

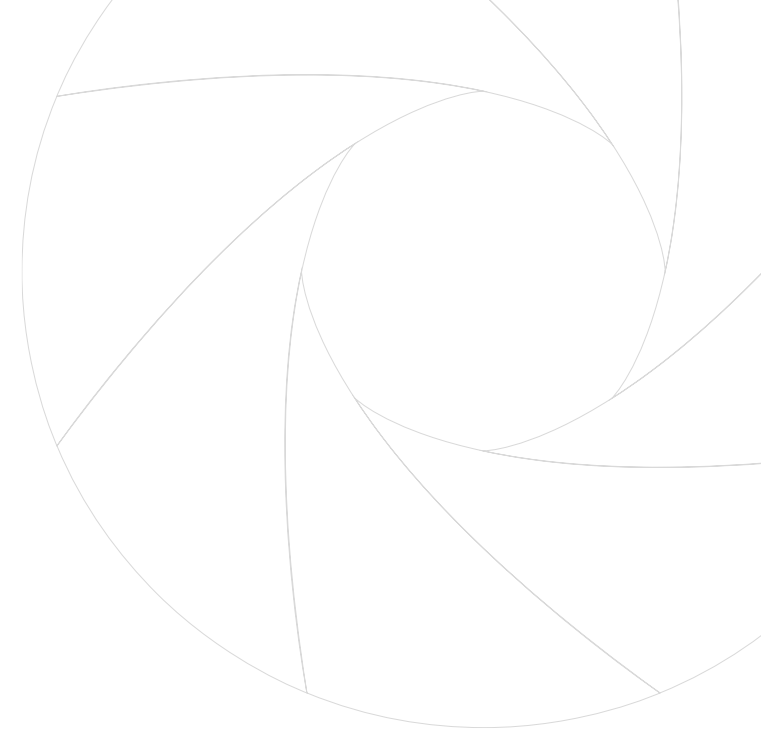


## Decision-Making Criteria

- Evaluating options: Describe pros and cons of each option relative to each criterion. Qualitatively assess the degree to which an option is aligned with each criterion through a green (most aligned), yellow (mixed alignment), orange (least aligned) ranking system. Some criteria may be not applicable for a given topic; if so, mark N/A.
- Comparing options: The aim is to advance approaches that ideally meet all decision criteria (i.e. maximize pros and minimize cons against all criteria). If options present tradeoffs between criteria, the hierarchy should be generally followed, such that, for example, scientific integrity is not compromised at the expense of other criteria, while aiming to find solutions that meet all criteria.

<i>Illustrative example</i>	<b>Option A: Name</b>	<b>Option B: Name</b>	<b>Option C: Name</b>
<b>1A. Scientific integrity</b>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>
<b>1B. GHG accounting and reporting principles</b>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>
<b>2A. Support decision making that drives ambitious global climate action</b>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>
<b>2B. Support programs based on GHG Protocol and uses of GHG data</b>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>
<b>3. Feasibility to implement</b>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>

# Boundary setting



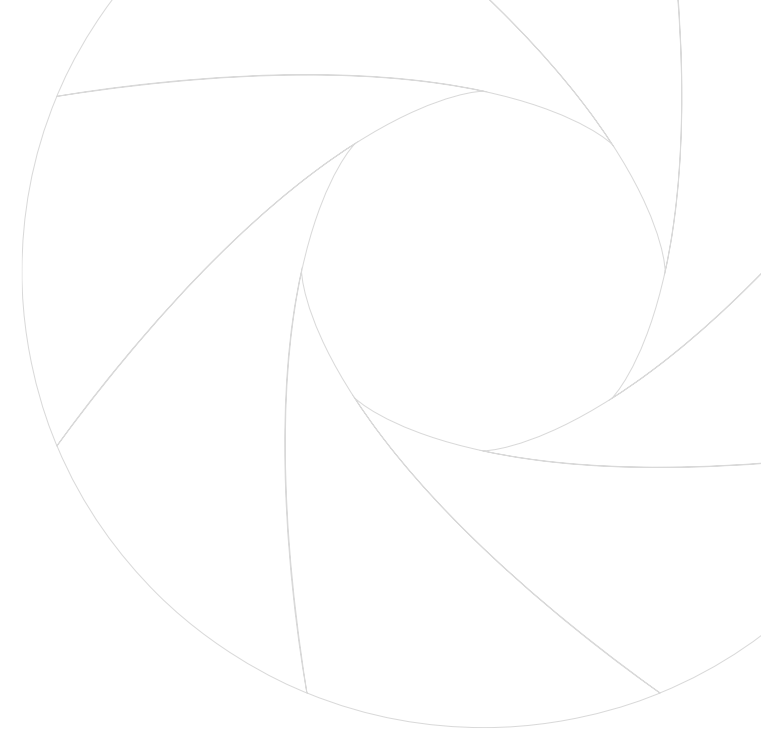
## Boundary setting

- Consider refinement of relevance criteria for inventory completeness
- Consider providing refined requirements and guidance on justification for exclusions
- Consider developing de minimis or significance thresholds for the exclusion of activities and/or emissions
- Revisit optional activities

Discussion paper B.1 covers the topics, including:

- Background
- Current GHG Protocol requirements
- Overview of approaches in other frameworks
- Summary of relevant research
- Consideration of the options
- Preliminary decision-making criteria assessment

# Intermediary parties



## Stakeholder feedback

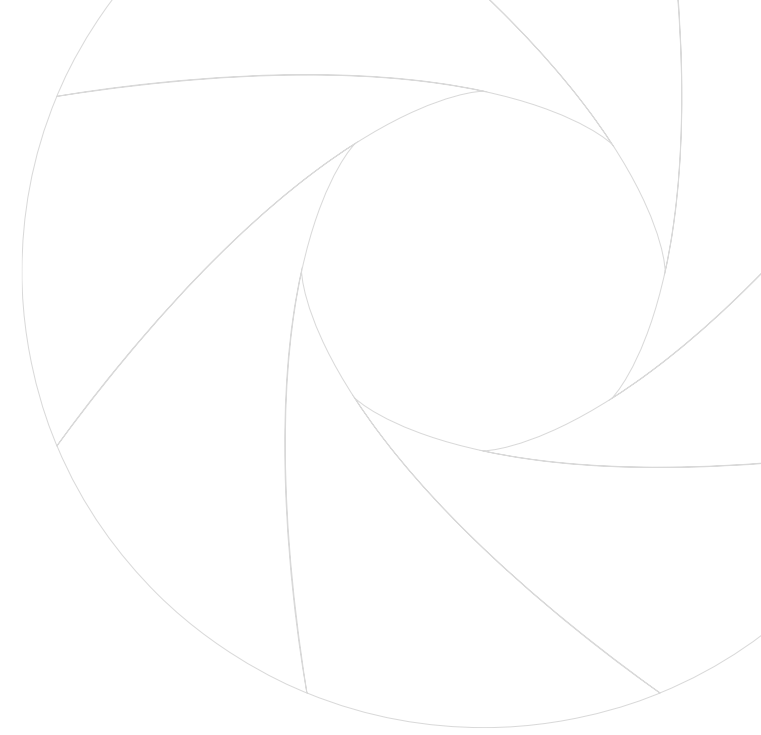
A range of cases where preparers could not make a judgment on boundaries in accounting require interpretation. Most of the cases consider involvement of intermediary parties or facilitators into a process or transaction, often with complex ownership constructs.

Types of intermediaries	Description
<b>E-commerce</b>	An e-comm business hosts a platform that connects sellers and buyers to facilitate transactions.
<b>Payment systems</b>	Bank cards to individual and business customers, as well as online payment systems that facilitate transactions between sellers and buyers.
<b>Online payments systems</b>	Online payments systems facilitate transactions and/or money transfers.
<b>Service brokers</b>	A business hosts a service or an online platform to connect service providers and customers.
<b>Investment brokers</b>	Many types of brokers intermediate transactions between buyers and sellers.
<b>Pipeline and grid operators</b>	Pipeline and grid operators take on a service of transportation of substance (e.g. oil) or transmission of energy, without taking over the ownership of the transported product, but charging a transmission/transportation tariffs.
<b>Mailing and transportation services</b>	Mailing and transportation services facilitate the movement of the goods in the value chain, without taking over the ownership of the transported product, but charging a transportation tariff.
<b>Lawyers</b>	Some lawyers participate in transactions and are paid fees as a percent of the transaction value.
<b>Architects</b>	Architects provide the service of supplying a design, potentially making decisions on the future emissions of the designed object (e.g. energy demand of a building)
<b>Content production for streaming services</b>	A production company creates content outsourced for distribution and/or licensed to a streaming service, with emissions from data upload/download associated with streaming services
<b>IP licensing</b>	Companies that license their IP (ingredients, production methods, technologies, brands) to licensees.

## **(Draft) workflow**

1. Cases consideration:
  - How can the accounting be carried out according to the current requirements and recommendations of the Scope 3 standard?
  - Does the current ruling suffice to optimally resolve the case?
  - If the case cannot be resolved or resolution is suboptimal: what is a potential suggested solution?
2. Aggregate the cases resolution into general rules
3. Provide recommendations for further development if appropriate

# Target setting and performance metrics



## Target setting and base year recalculation

- Updates to target setting guidance to reflect current best practice
- Consider updating the base year emissions recalculation requirements and providing more guidance (including for when calculation methods change)
- Consider developing a decision tree to determine when to recalculate

## Performance metrics

- Consider developing standardized category-level or product-level performance metrics and consider requiring their disclosure.
- Consider accounting and reporting annualized emissions metrics in addition to cumulative GHG inventory measures



## Stakeholder feedback and points to address

The survey conducted in 2022-2023 revealed demand for the following considerations:

- Providing additional guidance for target setting and/or metrics to make inventories decision-useful
- Providing more guidance and/or prescriptive rules for base year recalculation
- Review whether KPIs are actionable/informative absent more prescriptive requirements and/or guidance:
  - Given the optionality inherent in the *Scope 3 Standard*
  - Given that calculation methods often change (see also: data/calculation hierarchy\*)
  - Given that many companies do not comply with reporting requirements
  - All the above (and more) limit the interpretability and usefulness of disclosed GHG inventory results
- Guidance or prescriptive metrics for companies to communicate GHG performance in disclosures

# Leased assets



## Leased assets

**Note:** Leased asset requirements and guidance will be considered by the Corporate Standard workstream.

- Consider requirements or guidance on accounting for emissions from leased products (by both lessees and lessors), in coordination with *Corporate Standard* workstream
- Consider requiring or recommending accounting for the scope 3 emissions of lessees, by the lessor, if relevant or significant

## Feedback and workflow

Stakeholder feedback highlights the need for:

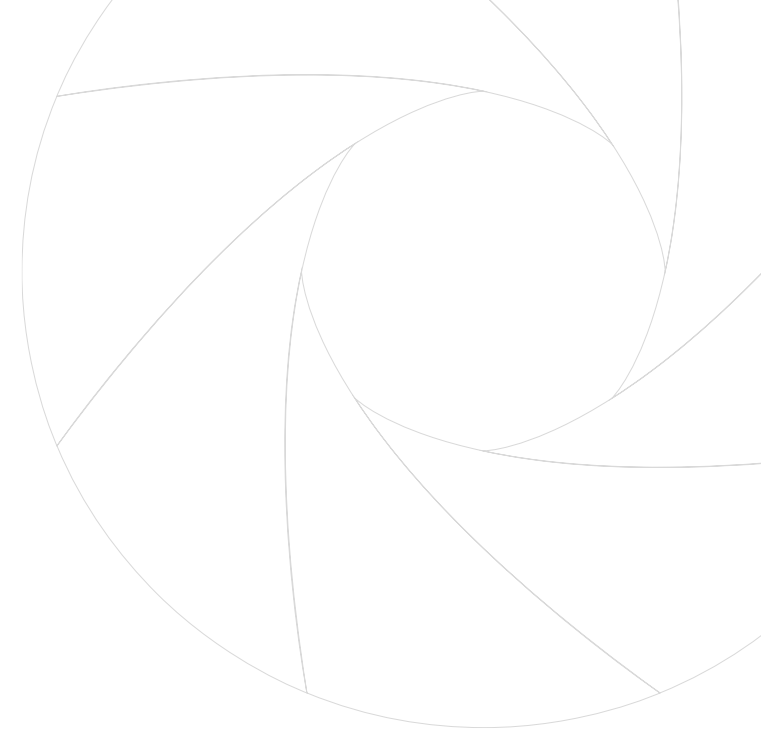
1. Necessary update of the guidance on accounting for leased assets under different contract types, and types and duration of lease
2. Clarifications for leased assets accounting under different consolidation approaches
3. Clarifications on definitions of control for different types of leases
4. Potential differences in application of emission factors can create discrepancies in accounting practices

The Corporate Standard Workstream will consider challenges 1-3.

The Scope 3 TWG will:

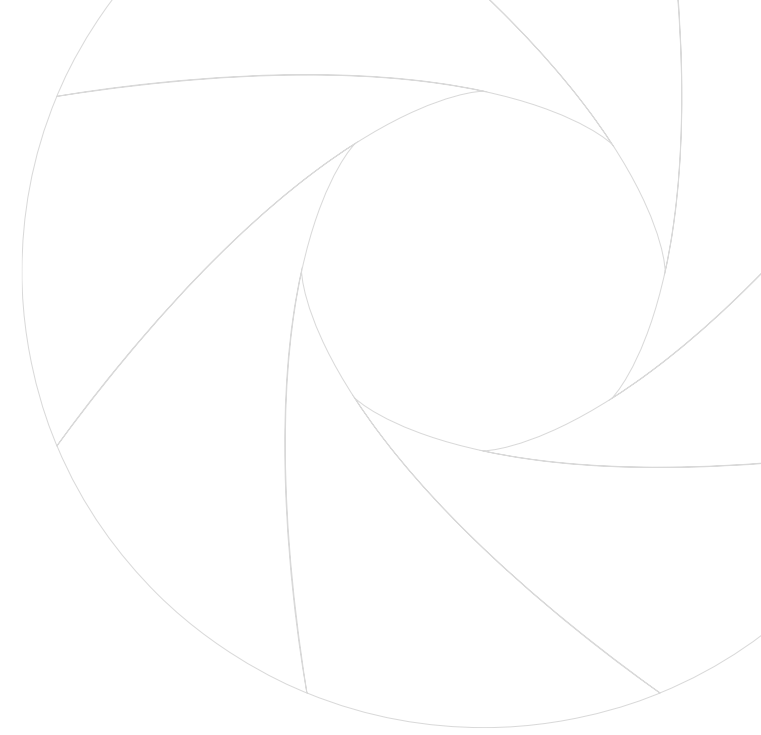
1. Provide feedback on the Corporate Standard recommendations
2. Adapt the Corporate Standard recommendations in the Scope 3 Standard where relevant
3. Considering point 4, provide recommendations on the minimum boundaries and emission factors to be used:
  - Inclusion of emissions associated with manufacturing and constructing leased assets
  - Use of cradle-to-gate emission factors for energy [carriers] consumed in the leased assets

**Break: 5 min**



# **Boundary Setting**

## Discussion Paper B.1



## Introducing the boundary setting discussion paper (B.1)

- *During the meeting, we will introduce the draft discussion paper to TWG members, before sending the document to TWG members for review and feedback*
- *The first discussion on the paper will occur on the next TWG meeting (21 November)*

# Time Planning





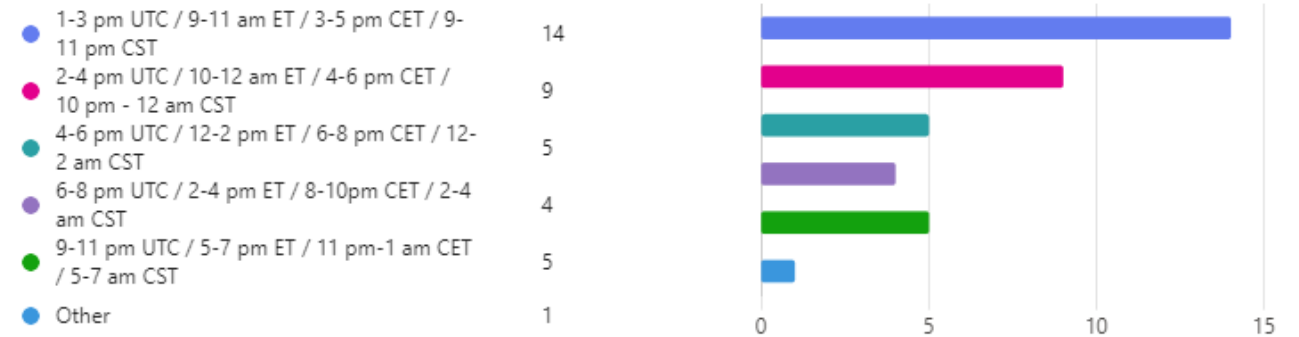
## Way of working: Meeting times strive to be convenient and inclusive

- **'Reasonable'** meeting hours are defined as **6am to 10pm**
- **Goal 1: maximize comfortable meeting hours for as many TWG members as possible**, over the course of the standard setting/revision process
- **Goal 2: do not systematically place some members into uncomfortable working hours**

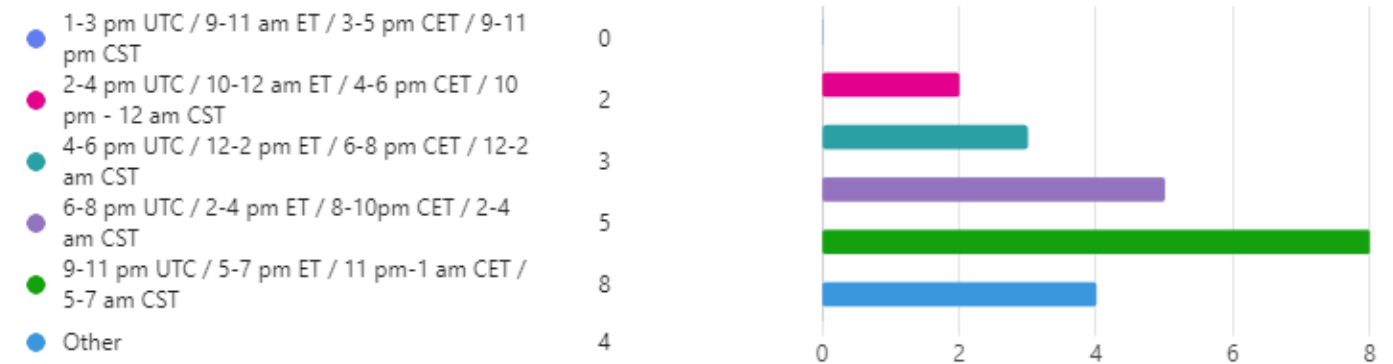
# Meeting time survey outcomes

- Data as of 31 October
- Participation: 14 responses
- Morning ET works best, evening ET works the least
- Default meeting time: 9-11am ET

Which meeting time could you commit to for all phase 1 meetings in your sub-group going forward (through June 2...



Which meeting time can you not commit to for any subgroup meetings?

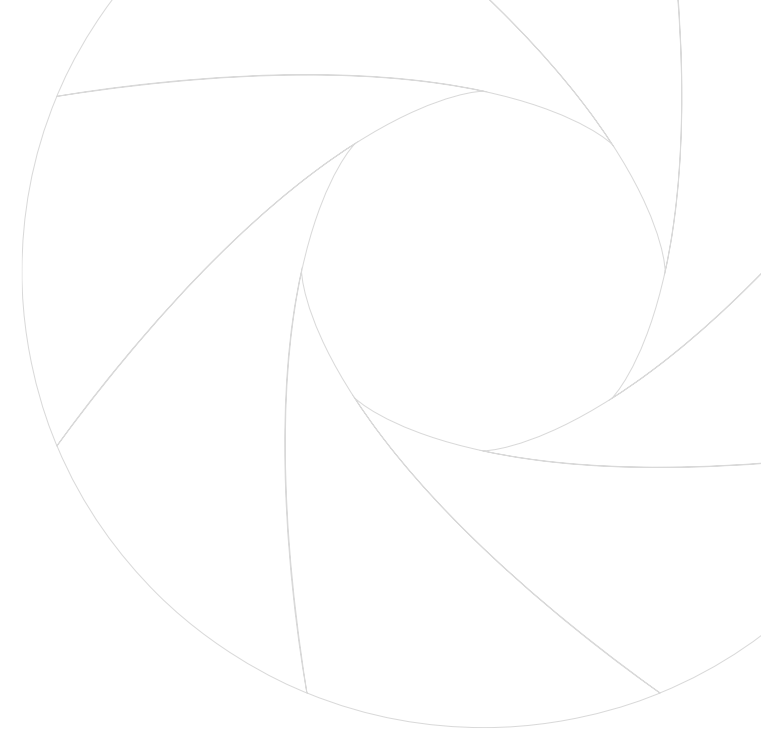


## Meeting dates and times (subject to change)

Group A						
Meeting	Date	Time				
1*	Oct 17, 2024   Thu	06:00 PT	09:00 ET	15:00 CET	18:30 IST	00:00 AET
B.1	31 Oct 2024	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
B.2	21 Nov 2024	06:00 PT	09:00 ET	15:00 CET	19:30 IST	01:00 AET
B.3	12 Dec 2024	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>
B.4	16 Jan 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	01:00 AET
B.5	6 Feb 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	01:00 AET
B.6	27 Feb 2025	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>
B.7	20 Mar 2025	06:00 PT	09:00 ET	14:00 CET	19:30 IST	00:00 AET
B.8	10 Apr 2025	06:00 PT	09:00 ET	15:00 CET	18:30 IST	00:00 AET
B.9	1 May 2025	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>
B.10	22 May 2025	06:00 PT	09:00 ET	15:00 CET	18:30 IST	23:00 AET
B.11	12 Jun 2025	06:00 PT	09:00 ET	15:00 CET	18:30 IST	23:00 AET
2*	Jun 26, 2025   Thu	06:00 PT	09:00 ET	15:00 CET	18:30 IST	23:00 AET
		<b>2</b>	<b>2 (+1)</b>	<b>5 (+6)</b>	<b>2</b>	<b>1</b>
	**	14:00 PT	17:00 ET	23:00 CET	3:30 IST	09:00 AET
	**	21:00 PT	00:00 ET	06:00 CET	09:30 IST	16:00 AET

\* Full Scope 3 TWG meeting; all other meetings reflect subgroup meetings. \*\* Alternative time(s) to be confirmed based on 11/1/2024 | 27 final assessment with TWG members

# Next Steps



## Next steps

### Next meeting on November 21

- GHG Protocol Secretariat:
  - Distribute the recording (by Nov 7)
  - Distribute the feedback form (by Nov 7)\*
  - Prepare and distribute minutes of the meeting with the quorum contribution (by Nov 7)
  - Distribute the discussion paper B.1 (by Nov 14)
  - Prepare asynchronous contribution summary (by Nov 21)
  - Email members with final meeting times (no change to dates)
- TWG members:
  - Provide feedback on the discussion (by Nov 14)
  - If attending the meeting on the 21<sup>st</sup> is not possible:
    - Inform asap
    - Provide quorum contribution (by Nov 21): to be sent on Nov 14<sup>th</sup> or upon informing

**Thank you!**

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