

Scope 3 TWG Subgroup B Meeting Minutes

Meeting #2

Date: 21 November 2024

Time: 09:00 – 11:00 ET

Location: Virtual

Attendees

Technical Working Group Members

1. Leo Cheung, The Carbon Trust
2. Betty Cremmins, Independent
3. Mathilde Crepy, ECOS
4. Holly Emerson, Duke University
5. Hugo Ernest-Jones, Science Based Targets initiative
6. Victor Gancel, Danfoss
7. Isihaka Hanghuja, Uganda National Bureau of Standards (UNBS)
8. Alasdair Hedger, Ellen MacArthur Foundation
9. Mitavachan Hiremath, SusPoT - Center for Sustainability
10. Tom Jackson, Loughborough University
11. Aysegul Koseoglu, Inter IKEA
12. Tim Letts, WWF
13. Alan Lewis, Smart Freight Centre
14. Ryan Maloney, Apple
15. Nicola Stefanie Paczkowski, BASF
16. Vishwesh Pavnaskar, Indorama Ventures
17. Ellen Riise, Essity Hygiene & Health AB
18. Benedicte Robertz, Umicore

Guests

1. N/A

GHG Protocol Secretariat

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

Documents referenced

1. Discussion Paper B.1
2. Scope 3 TWG – Group B – Meeting#2 presentation

Summary

Item	Topic and Summary	Outcomes
1	<i>Attendance and housekeeping</i> The Secretariat presented the housekeeping rules and introduced TWG member absent in meeting#1.	N/A
2	<i>Follow-up on meeting#1</i> The Secretariat presented the summary of feedback received on meeting#1	N/A
3	<i>Relevance in boundary setting</i> The Secretariat presented the current requirements on boundary setting, as well as the connection of principles of completeness, accuracy, and relevance	N/A
4	<i>Discussion of the questions in scope of the meeting</i> The Secretariat presented the general approach for consideration of questions. The group discussed the pre-meeting poll format	The Secretariat will revise survey design to enhance user-friendliness The Secretariat distribute the document describing the decision making criteria
5	<i>Discussion of Questions 1 and 2, on Relevance in consideration of exclusions</i> The Secretariat presented the questions on relevance in consideration of exclusions: <ol style="list-style-type: none">1. How should the relevance principle be considered in the exclusion of activities?2. How do the relevance criteria need to be followed to fulfill relevance? The Secretariat presented options considered, preliminary assessment utilizing the decision-making criteria, and results of the pre-meeting poll. The group discussed the pros and cons of the options, and held a poll.	Option 1C (Relevance is required based on the criterion of magnitude) tentatively chosen for recommendation of the group
6	<i>Discussion of Question 3, on a magnitude threshold</i> The Secretariat presented the question "Should a magnitude threshold be defined?" and options considered, preliminary assessment on decision-making criteria, and results of the pre-meeting poll. The group discussed the pros and cons of the options and potential configurations of the solutions, and held a poll.	The group favored introduction of a magnitude threshold, subject to configuration.
7	<i>Next steps</i> The Secretariat listed the follow-up steps	N/A

Discussion and outcomes

1. Attendance and housekeeping

- The Secretariat presented the housekeeping rules (see slides 2-7)
- The Secretariat introduced TWG members absent in meeting#1

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

2. Follow-up on meeting#1

- The Secretariat presented a summary of feedback received on meeting#1 through the feedback form (see slide 9)

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

3. Relevance in boundary setting

- The Secretariat presented the current requirement of the *Scope 3 Standard* regarding boundary setting and relevance, as well as the connection between the principles of completeness, accuracy, and relevance. The Secretariat highlighted the use of terminology of "shall", "should", and "may" in the Standard.

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

4. Discussion of the questions 1-4 of Discussion Paper B.1

- The Secretariat presented questions 1-4 of Discussion Paper B.1:
 1. How should the relevance principle be considered in the exclusion of activities?
 2. How do the relevance criteria need to be followed to fulfill relevance?
 3. Should a magnitude threshold be defined?
 4. Should the influence criterion be refined?and emphasized the interconnections between the options across the questions (see slides 16-17)

Summary of discussion

- A TWG member asked for clarification regarding the overlap between the scope of work of the *Corporate Standard* and *Scope 3 Standard* workstreams. The member suggested that the changing of "should" statements to "shall" statements may require changes to overall compliance requirements.

The Secretariat acknowledged interconnections between the work of the two workstreams, and clarified that the Scope 3 TWG will focus on the technical aspects of the principles in accounting and reporting scope 3 inventories, while the Corporate Standard TWG will consider the requiring scope 3 reporting for *Corporate Standard* compliance. The Secretariat also stated that, pending progress on interconnected matters in each separate workstream, if convergence towards certain revisions emerges, a unified strategy may be pursued.

- A TWG member highlighted that one area of confusion among users is referring to 'the Greenhouse Gas Protocol' as a single standard, and asked if convergence of the corporate suite of standards is being considered. The Secretariat clarified that it currently is possible to be in conformance with the *Corporate Standard* (scope 3 optional) or with the *Scope 3 Standard* (scope 3 required), and confirmed that the issue of convergence of the suite of GHG Protocol corporate standards is being considered.
- A TWG member inquired if a document clarifying the decision-making criteria had been distributed. A member of the group pointed to the document in the SharePoint, and the Secretariat committed to following up with more information regarding the decision-making criteria.
- With regard to the decision-making criteria application, a TWG member highlighted the difference between GHG accounting and reporting. The member asked when making assessments according to the decision-making criteria, the TWG members should be applying the principles to accounting, reporting, or both. The Secretariat acknowledged the difference and highlighted that the current discussion is focused on quantification and completeness, and therefore focuses on accounting. The Secretariat highlighted that GHG accounting and reporting work hand-in-hand, and that both should be considered in the standard update process
- A TWG member commented on the pre-meeting poll, stating that the poll was unclear due to differences in how the options were presented in the poll and in Discussion Paper B.1.. The Secretariat clarified the connection between questions 1 and 2, with question 2 being applicable only in case of adoption of option B in question 1. The secretariat explained that the options were presented differently in the poll in order to reduce the poll length. Several members supported the comment and voiced their preferences for the wording "agree/disagree" rather than "aligned/ not aligned". Use of the latter was found to be confusing and interpreted as alignment between the TWG member's opinion and the Secretariat's preliminary assessment. The Secretariat acknowledged the confusion and committed to alignment and clearer phrasing in future polls. The Secretariat invited TWG members to flag if their answers should be discarded based on the clarifications, with one member indicating as such.
- A TWG member commented regarding their answer seemingly not being reflected in the poll analysis. The Secretariat followed up with the check of the poll submissions and confirmed that the answer was reflected.

Outcomes (e.g. recommendations, options)

- The secretariat will revise the poll design, making sure options are presented in a consistent manner across all materials, and adjusting the language.
- The Secretariat will reiterate the distribution of the document describing the decision making criteria to the TWG members.

5. Discussion of Questions 1 and 2, on Relevance in exclusions

- The Secretariat presented Questions 1 and 2 of Discussion Paper B.1
 1. How should the relevance principle be considered in the exclusion of activities?
 2. How do the relevance criteria need to be followed to fulfill relevance?

alongside the options for consideration, the preliminary analysis utilizing the decision-making criteria, and the results of the pre-meeting poll (see slides 18-23).

Summary of discussion

- The TWG suggested that the GHG Protocol standards intend to provide clarity on how to account rather than how to improve inventories, and that therefore the main focus of the Standard should be completeness. The TWG member highlighted their preference for achieving inventory completeness and therefore options 1C or 1B in combination with 2B. While they acknowledged the role significance (magnitude of emissions) plays in accounting, the TWG member suggested that focus on completeness would allow to exclude other, more subjective, considerations of relevance. Several other TWG members supported this opinion, highlighting the subjective and context-dependent nature of relevance. They emphasized that relevance may be more applicable to planning decarbonization action, prioritization of actions, and data collection; while from the accounting perspective, an inventory should be complete. Including an approach that allows preparers to exclude activities based on relevance criteria could lead to omission of high emissions sources within the inventory, if they are not seen as relevant to the company, but are relevant to the global transition. Completeness and significance in this context are more objective. The Secretariat summarized the expressed point as a need for the requirements to be focused on completeness and significance, leaving other principles to external guidance on planning and prioritizing action..
- A TWG member agreed that currently the *Scope 3 Standard* considers relevance from the reporting company's perspective. For comprehensive and more objective accounting, relevance should be considered from both the individual business as well as the global transition perspective. This would help companies determine areas of focus for their inventory as well as for target setting. The TWG member referenced the recent SBTi scope 3 paper on this issue.
- A TWG member expressed the opinion that the size and influence criteria of relevance should be kept as GHG accounting criteria. Several other TWG members disagreed, highlighting that influence is nearly impossible to define as a specific quantitative indicator to use as a requirement.
- A TWG member posed the question if option 1C would imply that preparers would have to calculate everything in order to then know what to include into inventories. The secretariat explained that this would be based on estimation/hot spot analysis, used to identify what activities should be focused on.
- A TWG member suggested that an estimation can be a quick calculation, for example by using the spend-based method, to get an idea of whether an activity is of significant magnitude. If it shows to be so, then the reporter would try to get to a more accurate number; and if not, then the reporter can exclude the activity.. Several TWG members supported this rationale. A TWG member commented that the spend-based method may not be applicable to downstream categories and highlighted high unreliability of EEIO emission factors. Another TWG member opposed the use of EEIO, and commented that this discussion shows the importance of the data quality question that is considered in one of the other subgroups.
- Addressing the issue of exclusions, a TWG member pointed to page 60 of the *Scope 3 Standard*, saying that if companies cannot reasonably estimate downstream emissions from intermediate products, companies can exclude emissions from cat 9, 10, 11, 12 (but not selectively exclude a subset of those categories). The TWG member flagged that this might be interpreted by companies that if they cannot estimate one of these categories, they should exclude all of them. Another TWG member expressed an opinion that quality of reporting has been increasing and companies are equipped to make assumptions.
- A TWG member highlighted that in practice, many stakeholders prefer preparers to publish yearly updated emissions for all categories, even if some are still spend-based, rather than excluding anything.
- A TWG member emphasized that in some cases (e.g., government contractors) there are national security implications of reporting certain categories, especially when based on spend-based accounting. The Secretariat inquired if any lessons can be learnt from financial accounting and reporting of these cases, or if sector-specific or government-specific guidance could provide a solution. Another TWG member acknowledged the risks and noted that in certain cases reporting on company level conceals the product specific details.
- A TWG member highlighted that in order to apply a significance threshold, one has to estimate emissions first, at which point these emissions may be added to the inventory. Another TWG member supported the argument, further stating this to be the reason to not support option 1C. The secretariat commented the approach to be an aspect of a company-specific resolution of a trade-off between completeness and accuracy, allowing reporters to maintain higher accuracy of reported inventory.

Another TWG member supported the argument, stating that screening estimations are not accurate and may not be worth including into an inventory.

- A TWG member expressed the opinion that choosing option 1B in combination with 2B would be equivalent to saying that everything is relevant, and everything must be included. Another TWG member agreed with this statement, however raising the concern that singling out the magnitude criterion may sideline considerations of other criteria, some of which are important. The Secretariat followed up asking whether setting a magnitude threshold could practically address the stakeholder criterion. The TWG member highlighted the need to determine this threshold, and agreed that allowing exclusions for practical purposes is reasonable.
- A TWG member agreed with previous comments that the magnitude criterion is the most quantitative and least ambitious, while application of other criteria may be beyond the scope of the GHG Protocol and could be left to other frameworks that are focused on policies and regulations. The TWG member further expressed their interpretation of scientific integrity to be equal to rigor, and highlighted that from that perspective option 1C is the most aligned with the scientific integrity decision-making criterion.
- A TWG member pinpointed that the criterion of magnitude using a simple percentage threshold can be too restrictive, especially for companies that can have a skewed distribution of their emissions towards one category. In this perspective, requirements of the standard should ensure that at least large emissions categories are considered relevant in an inventory. Several TWG members agreed with that point, stating that magnitude needs to be determined both in relationship to the organization's inventory as well as to planetary emissions. The Secretariat suggested consideration of defining a magnitude threshold both as a percentage of the total and as an absolute number.
- A TWG member stated that even categories smaller in magnitude can be important for collective action.
- A TWG member stated that option 1C is practically embedded into option 1B. The Secretariat confirmed that statement, highlighting that 1C focuses specifically on the magnitude requirement, while option 1B includes requirements on all relevance criteria, triggering the need for wider assessments.
- A TWG member asked if when considering an exclusion threshold, the requirements would concern exclusion of activities or categories. The Secretariat clarified that the current standard specifies exclusions on the activity level.
- A poll was held to indicate preferences of the TWG members regarding Question 1 "How should the relevance principle be considered in the exclusion of activities?" 16 TWG members voted, indicating
 - 56% in favor of option 1C (Relevance is required based on the criterion of magnitude)
 - 38% in favor of option 1B (Relevance is required)
 - 6% in favor of option 1A (Maintain current language)

Other members present abstained from voting.

- A poll was held to indicate preferences of the TWG members regarding Question 2 "How do the relevance criteria need to be followed to fulfill relevance?". Members who opposed option 1B were invited to vote "abstain". 17 TWG members voted, indicating:
 - 59% in favor of option 2B (Defined as meeting at least one of the criteria)
 - 18% in favor of option 2A (Defined at the preparer's discretion)
 - 24% abstained

Other members present abstained from voting.

Outcomes (e.g. recommendations, options)

- Option 1C (Relevance is required based on the criterion of magnitude) is tentatively chosen for recommendation of the group (subject to confirmation when further considering implementation details).

6. Discussion of Question 3, on a magnitude threshold:

- The Secretariat presented Question 3 of the Discussion Paper B.1: “Should a magnitude threshold be defined?”, alongside the options for consideration, analysis of the magnitude threshold values, the preliminary analysis with regards to the decision-making criteria, and the results of the pre-meeting poll (see slides 25-29)

Summary of discussion

- Regarding the analysis of the magnitude threshold values, a TWG member commented that as the analysis is based on CDP reported values, it might not be reflective of the actual scope 3 emissions, as the sample size is limited. The Secretariat agreed.
- A TWG member expressed strong support for providing clarity and uniformity by providing a threshold, and highlighted that the market is ready for certainty on this and would welcome it. The member however indicated that defining a threshold by sector can be challenging in specific circumstances, and therefore expressed a slight preference toward setting a default value and allowing preparers to choose another value if they disclose and justify it transparently. The member suggested that this approach could inform future considerations on whether the threshold needs to change (e.g. if a whole sector starts using another threshold).
- Another TWG member agreed with the previous speaker, and suggested setting up a cap threshold, allowing preparers to apply stricter thresholds if they choose to do so. The TWG member argued that allowing preparers setting higher thresholds than the default may lead to larger exclusions and devalue setting a threshold in the first place.
- Several TWG members supported this argumentation, but voiced support for setting a non-flexible threshold value. The members highlighted that providing flexibility for special circumstances for good faith actors would make sense. But for bad faith actors, this would create a loophole which would be taken advantage of. The members argued for setting a strict but reasonable threshold and making it uniform without a provision to for deviations.
- A TWG member expressed the opinion that in transparent disclosure, an unjustified and misused higher threshold would be called out by the public. The TWG member however highlighted no confidence in this mechanism.
- Another TWG member suggested potential differentiation based on type of preparer. For example, SMEs could be allowed to set a different threshold. Moreover, companies could explain whether they’ve deviated from the default including for how many years they’ve deviated from the standard.
- The Secretariat asked the TWG members about regulations that do or may ask preparers to follow a [different] significance threshold, and posed a question if in these cases the GHG Protocol requirements should allow preparers to use the regulatory threshold. The Secretariat further invited TWG members to indicate their knowledge of regulations that do or may set significance thresholds. TWG members did not raise any particular regulation.
- Several TWG members indicated a strong preference towards a threshold that is per-activity and another threshold for the cumulative total emissions. Absence of a cumulative threshold may lead to activities being divided up into smaller sections for the purpose of “cheating” the per-activity threshold, and cause large exclusions.
- The Secretariat asked about the potential of an absolute emissions threshold introduction, and invited the TWG members to express ideas of operationalizing such a threshold.
- A TWG member supported the idea of an absolute threshold, in cases where a reporter’s emissions hidden in rounding-error may be significant on the global scale. However the TWG member stated that if the objective of the inventory is to take action on the inventory, then the rounding-error emissions would not be significant.
- A TWG member emphasized the difficulty of choosing a value for an absolute threshold. Another TWG member suggesting performing modeling using EEIO data to calculate what global emissions would be excluded if the threshold would be set at a certain level (in tons CO₂eq). The TWG member

further referenced a precedent value of 10 000 tCO₂eq/year appearing as the SBTi criterion for choosing an SME target setting path. Another TWG member supported an idea to connect an absolute emissions threshold to climate scenarios.

- A TWG member expressed an opinion that preparers will need certainty to do the threshold setting (including absolute) once and use the same threshold for a while, e.g. 10 years. Several other TWG members opposed this idea, referring to frequent fluctuations in inventory composition and difficulties and implications caused by growth or decline of operations. A TWG member specified that hot spot analysis should be performed annually to see if emissions of excluded activities are still above/below the threshold.
- A poll was held to indicate preference of the TWG members in Question 3 “Should a magnitude threshold be defined?”. 16 TWG members voted, indicating:
 - 50% in favor of option 3C2 (Default magnitude threshold is defined by the Scope 3 Standard)
 - 31% in favor of option 3C1 (Magnitude threshold is defined by the Scope 3 Standard)
 - 13% in favor of option 3D (Require all scope 3 emissions to be accounted for regardless of magnitude)
 - 6% in favor of option 3B (Magnitude threshold is required to be defined at the discretion of preparer)
- A poll was held to indicate support for setting both an activity and a cumulative threshold. 15 TWG members supported the suggestion by showing hands.
- A poll was held to indicate support for adding an absolute emissions threshold. 2 TWG members indicated support by showing hands. Several TWG members raised the need for more clarification.
- A TWG member inquired if the majority decision will determine the recommendation outcomes and further discussions. The member mentioned the benefits of testing the boundaries with some test cases to facilitate evidence-based decision-making.
- A TWG member suggested future impromptu polls to follow the principle of: green tick mark for yes, red X for No, and Coffee Cup for Abstain.

Outcomes (e.g. recommendations, options)

- Option 3C (1 or 2) will be taken into further consideration.

7. Next steps

- The Secretariat outlined the next steps and the date of the next meeting.

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

Summary of written submissions received prior to meeting

1. Regarding the decision-making criteria assessments, a TWG member highlighted that lack of clarity and need for professional judgment to adhere to the scope 3 standard reduces effectiveness of criteria 2a (Support decision making that drives ambitious global climate action), 2b (Support programs based on GHG Protocol and uses of GHG data) and 3 (Feasibility to implement)
2. A TWG member suggested introducing a differentiation between non-applicability and non-relevance.

3. A TWG member expressed the opinion that a category should not be calculated if it doesn't meet the relevance threshold of influence.
4. A TWG member stated that a hot spot analysis or scope 3 screening should be required to leverage a magnitude threshold for relevance and updated if recalculation criteria are triggered. The TWG member recommended requiring a recalculation policy.
5. Regarding question 4 of the Discussion Paper B.1, a TWG member indicated that options 4B and 4C may be combined through defining influence levels and providing example pathways. If option 4B is selected, sector-specific required pathways should be indicated, with sector-agnostic pathways determined by users.
6. Regarding the question 5 of Discussion Paper B.1, a TWG member supported option 5C (editorial change to facilitate interpretation, with removal of the provision to include or exclude all downstream categories), specifying that if downstream processes require additional activities (like, refrigeration or cooking), they should be included.
7. Regarding the question 5 of the Discussion Paper B.1, a TWG member supported option 6D (permit application of de minimis, with the threshold defined by the *Scope 3 Standard*)
8. Regarding question 5 of Discussion Paper B.1, a TWG member suggested requiring alignment with financial reporting definitions and clarifying if it applies to all of scope 3 or per category (recommending all of scope 3).