

Scope 3 TWG Group A Meeting Minutes

Meeting number 3

Date: 5 December 2024

Time: 17:00 – 19:00 ET

Location: Virtual

Attendees

Technical Working Group Members

1. Nasser Ayoub, EPD International
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. Talita Esturba, WayCarbon
8. René Garrido, Universidad de Santiago de Chile
9. Susanne Vedel Hjuler, Independent
10. Michael King, Cisco Systems, Inc.
11. Wenjuan Liu, RMI
12. Paola Martinez, Independent
13. Christoph Meinrenken, Columbia University
14. Elliot Muller, CIRAIG, Polytechnique Montréal
15. Julie Sinistore, WSP
16. Sangwon Suh, Watershed
17. Carl Vadenbo,ecoinvent association
18. Luhui Yan, Carbonstop

Guests

N/A

GHG Protocol Secretariat

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

Documents referenced

1. Discussion Paper A.1 Inventory Quality
2. Scope 3 – Group A – Meeting#3 – 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>Recap of the previous discussion</i> The Secretariat presented a summary of the previous discussions and decisions, and results from the TWG member poll carried out prior to the meeting on the preferences in the discussed options configuration.	N/A
3	<i>Uncertainty Analysis</i> The Secretariat introduced results from the poll carried out prior to the meeting on uncertainty assessment, and the current guidance of the <i>Scope 3 Standard</i> . A TWG member gave a presentation on quantitative uncertainty assessments of scope 3 emissions. The Secretariat presented the GHG Protocol Scope 3 uncertainty assessment tool.	N/A
4	<i>Option development</i> The Secretariat presented a proposed development of Option 3 (disaggregated reporting based on quality).	N/A
5	<i>Discussion</i> The group discussed the suggested configuration. The group expressed general support for a tiered approach, with no consensus on the methodology for defining or determining the tiers.	Option 3 (disaggregated reporting based on quality) will be further developed.
6	<i>Next steps</i> The Secretariat presented the next steps.	N/A

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 #2 and the decision taken (see slides 7-9).
- The Secretariat presented the outcomes of the poll carried out prior to the meeting (see slides 11-14), highlighting that there was:
 - General agreement on taking Option 1 (improved implementation of current requirements) out of further consideration as not sufficient;
 - General agreement that elements of Option 1 may potentially complement further options development;
 - General agreement on taking Option 2 (data quality scoring) and Option 3 (disaggregated reporting based on quality) into further development with a preference for Option 3;
 - Large (44%) opposition to implementing Option 2, and no opposition to implementation of Option 3;
 - If Option 2 were to be implemented, there was a preference for assessing data quality based on scoring activity data and emission factors, as well as a preference for aggregating the scope 3 score via a weighted average;
 - No consistent support towards any one of the suggested tier differentiation principles for implementation of Option 3;
 - A high preference for non-subjectivity as the most important quality of a preferred solution, followed by the ease of interpretation and implementation. Additional preferred qualities were listed by the respondents.

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

3. Uncertainty analysis

- The Secretariat presented the outcomes of the poll carried out prior to the meeting (see slide 16), on the level of expertise of the TWG members in quantitative uncertainty assessment, and assessment of the option of quantitative uncertainty assessment with the decision-making criteria.
- The Secretariat presented current guidance on uncertainty assessment provided in the *Scope 3 Standard* (see slide 17).
- A TWG member provided a short presentation on quantitative uncertainty assessments and characterization for scope 3 emissions, covering:
 - Potential differences in the presentation of scope 3 emissions results of different certainty with the use of quantitative uncertainty assessment;
 - Theses derived from literature:
 - Scope 3 emissions generally follow lognormal distribution.
 - Process emission factors are more precise while spend emission factors are more complete.
 - Correlation between the use of primary data with improvement in precision and accuracy.
 - Numerical and analytical methods to calculate uncertainty;
 - Practical implications for practitioners and secondary data developers;
 - Differences between parametric, systematic, and epistemological uncertainty;
- The Secretariat demonstrated the uncertainty assessment tool for product footprint and scope 3 emissions, available on the GHG Protocol website.

Summary of discussion

- A TWG member expressed their preference for the tiered approach (Option 3), however, highlighted the potential for an additional recommendation or a mandate for preparers to report a quantitative uncertainty indicator (e.g. as an error margin or a confidence interval).

- A TWG member noted that the level expertise of the TWG members in quantitative uncertainty assessment should not define the potential to provide a recommendation of carrying it out.
- A TWG member expressed an opinion that the introduction of uncertainty assessment may generate information difficult to work with and difficult to interpret. The member highlighted that many companies (SMEs in particular) do not have the capacity, skills and/or expertise to work or familiarize themselves with sophisticated calculations or tools. The member expressed an opinion that primary data use generally increases data quality, and therefore requirements oriented the use of primary data may be adequate for eventually increasing the data quality in practice. The member asked if the general purpose of this consideration by the TWG is to advance scope 3 into a direction of alignment with what exist on the market simultaneously reducing the optionality of methods and space for interpretation; or, alternatively, is the general purpose of this consideration to maintain the flexibility of calculation methodologies while increasing the workload for preparers through requirement to assess and report calculations' precision. The Secretariat acknowledged that the general intention of the TWG group should be to improve the current standard. The Secretariat highlighted the role of the decision-making criteria in structuring the TWG's assessment of alternatives. The Secretariat further highlighted that the feasibility of developed solutions for a wide range of practitioners, is crucial when considering requirements or guidance, including when considering introduction of a "North Star" orienteer for future advances.
- A TWG member commented on the feasibility of performing quantitative data quality assessments, stating that use of IT solutions and AI tools may reduce the burden for users significantly while ensuring a sufficient quality, and referenced literature supporting this assertion. The TWG member stated that the development of technology can facilitate the assessment process, as long as strict, unequivocally clear requirements and guidance are provided.
- The Secretariat noted that two speakers stated a generally higher quality of inventories based on primary data, and inquired for the TWG members' opinion on whether a measure of the fraction of an inventory that relies on primary versus secondary data could be a meaningful metrics, in addition to the tiers. The Secretariat further highlighted that this indicator is already required for reporting compliance, and added that while there may be correlation, however, the source of data (primary or secondary) does not guarantee data quality.
- A TWG member agreed that generally primary data is of higher quality, provided there's some form of standardization or guidance (e.g., what is considered high- or low-quality primary data). The TWG member expressed an opinion that a guidance should be provided on how to judge and differentiate the quality of primary data.
- A TWG member agreed that supplier specific data being not necessarily better than secondary data, although there is a correlation. The target should not be using as much primary data as possible, but increasing precision and accuracy of the inventory. The member suggested that uncertainty assessment can be used as a tool to identify hotspots of uncertainty, to focus efforts.
- The Secretariat concluded that the conversation could be open to consideration of uncertainty assessment also as an additional metrics.

Outcomes (e.g. recommendations, options)

- N/A

4. Options description

- The Secretariat presented a proposed configuration of Option 3 (disaggregated reporting based on quality), as a combination of different approaches (see slides 20-26)

Summary of discussion

- A TWG member highlighted that the term "measured" may be confusing for the provided tier description, as it technically implies direct measurement of emitted greenhouse gases. The TWG member suggested drawing a parallel with IPCC guidelines, asserting that the term "Tier" would be less confusing. The Secretariat acknowledged that direct measurement is a small fraction of reported

emissions, especially for scope 3 inventories, and stated that the terminology used to name the tiers is presented for the TWG members to review and provide comments.

Outcomes (e.g. recommendations, options)

- N/A

5. Discussion

The Secretariat presented the prompts for the discussion (see slide 28) and invited the TWG members to discuss the options and potential configurations.

Summary of discussion

- A TWG member highlighted that a one-size-fits-all approach across the categories should be avoided, stating that for some categories it is more feasible to have measured data than it is for others (e.g., downstream categories for which direct measure is impossible for many if not most companies to ever record). A category-specific tiered approach would facilitate users striving for higher quality data where prudent and feasible. Organizations could use calculated or estimated data where necessary.
- Another TWG member agreed, recommending that the TWG recenter the conversation around the need for a better understanding of the accuracy of the data. This member highlighted that quantitative uncertainty analysis is the north star in this regard. This member also emphasized that implementing a whole new system of determining data accuracy might not necessarily be easier than performing quantitative uncertainty analysis, when factoring in computation possibilities and costs. The Secretariat stated that it is necessary to accommodate practitioners with a wide range of expertise and resources. If performing uncertainty assessment is not feasible for the wide audience, it might be the task of the TWG to develop a solution that would approximate uncertainty while being accessible for the practitioners.
- A TWG member expressed the need for more clarity on how data quality is being described through quantitative uncertainty analysis, according to the suggested configuration. The member asked for clarification on the ">5% uncertainty" phrasing used on slide 22. The Secretariat clarified that while the intent of the slide was to show the uncertainty range (mean value +/- 5%), it was merely an example of how uncertainty could be integrated with a tiered reporting approach. The Secretariat emphasized that any specific values and ways to present uncertainty, if introduced, should be discussed and defined by the TWG.
- A TWG member stated that activity data is generally more certain and is unlikely to be the main source of uncertainty. The member emphasized that characterizing uncertainty serves the goal of encouraging practitioners to improve the quality of scope 3 inventories by focusing on the main sources of uncertainty. The main sources of uncertainty largely stem from secondary emission factor datasets, which users should progressively replace with high quality primary data. The member opposed a categorical assignment of low uncertainty to primary data. The Secretariat raised concern that even with uncertainty assessments provided by dataset providers, practitioners would still need to make assessments for activity data and recalibrate proxy emission factors. This would move the judgement and making subjective choices back to preparers.
- The Secretariat asked TWG members for their opinion on how uncertainty assessment information may be passed on through a value chain and how it would be integrated into uncertainty assessments by each value chain partner. A TWG member stated that there are a number of practical ways in which quantitative uncertainty assessments can be performed and asserted that it is not necessarily difficult as long as data providers disclose uncertainty of their data. The member stressed that all values, including global warming potential (GWP) values, that are used are subject to uncertainty, and that users tend to underestimate them based on the way data is categorized.
- The Secretariat pointed to the current guidance's Appendix B which provides an overview of preparing uncertainty assessments and asked the group if introducing additional voluntary (optional) guidance would be any different. And if not, should it be made mandatory or should there be some incentives to move to higher tiers.

- A TWG member stated that, from their experience, companies tend to limit disclosures not only because of technical challenges but also due to the potentially large emissions (e.g., lifetime emissions in category 11). Another TWG member added that some companies limit their disclosures based on benchmarking practices with their peers. This member asserted that one way to encourage the inclusions of uncertainty measures could be to have both an updated communication of the requirement and alignment on that issue between different frameworks (e.g., with SBTi).
- A TWG member stated that the GHG Protocol currently is not prescriptive about which emission factors to use, while uncertainty indicators are not included in much secondary data. The member stated that if the group is seeking alignment on uncertainty assessment in the market, the GHG Protocol would need to revise its guidelines on acceptable emission factor sources and to be more prescriptive.
- A TWG member asked for clarification of how quantitative uncertainty analysis could be standardized, given that different calculation methodologies can be used. This member expressed doubt over how a single benchmark could be created. The member suggested structuring disclosure in a way that users can derive the percentage of data originating from primary versus secondary sources. They emphasized the need for a solution that would foster engagement beyond the first-tier suppliers in the value chain, for example, reflection of the primary data share in the suppliers' data and beyond. The TWG member agreed with the need for as much detail as possible. This member further raised the point whether different guidance would be needed for external vs. internal applications. The Secretariat expressed an opinion that a tiered approach may facilitate the roll-up of scope 3 emissions data through the value chain by transferring tier-to-matching-tier emissions, subject to configuration. Allowing "migration" of data between the tiers based on assessed uncertainty may incentivize the adoption of quantitative uncertainty assessment. The Secretariat further confirmed that standardization of uncertainty assessment methods would need consideration. Another TWG member suggested that reporting a confidence interval together with the deterministic value may be the most practical solution.
- One TWG member asserted that, based on their experience and practice, data roll-ups are challenging in practice. The TWG member expressed concern that SMEs and companies with less advanced GHG accounting and reporting capabilities would have difficulty complying. This TWG member stated that the focus of this revision process should be to improve the accuracy or precision of scope 3 inventories, and that aiming to improve both is not a realistic near-term goal. If the group focused on precision, the TWG member questioned if top-tier databases should be standardized and whether users should be incentivized to use those databases. The member cautioned about creating too many complications. The Secretariat emphasized the importance of feasibility and practicability, as well as the need for creating incentives to raise users' reporting ambition in upcoming years.
- A TWG member agreed that they see the need for identifying the percentage of data provided by suppliers (i.e., supplier-specific emissions data), the quality of the data, including by utilizing a tiered reporting system, but emphasized that creating a universal tiered reporting system that applies to all kinds of users in all geographies is very challenging. The TWG member questioned how changes or revisions that the group proposes to the *Scope 3 Standard* will affect users that are legally required to comply with GHG Protocol, for example, under IFRS S2. The TWG member agreed with an aforementioned point made by another TWG member of making a distinction between assessing data quality for internal changes and for external communication. The TWG member emphasized that the GHG Protocol plays a significant role not only for external communication but also for internal uses, and asserted that the application of data quality assessment across different sectors is very challenging. The Secretariat suggested that the proposed configuration (presented on the slides 20-26) may accommodate less advanced preparers by allowing for reporting on the lower tiers.
- The Secretariat asked whether the group wants to reconsider the "measured", "calculated", or "estimated" tier titles (terminology).
- A TWG member stated their disagreement regarding a tiered approach based on measured, calculated, or estimated tier terminology, asserting that this may create confusion when interpreted literally. This is why the IPCC utilizes tier 1/2/3 terminology, eliminating the risk of misunderstandings based on the interpretation of the natural language. Another TWG member expressed that they see the 'measured' tier as very straightforward but have difficulty distinguishing between the 'calculated' and 'estimated' tiers.

- A TWG member raised the idea of adding levels of audit or verification to the tiered system, including tier differentiation, if the group decides to move forward with the “measured”, “calculated”, or “estimated” tier terminology. They emphasized the difference between self-reported data and third party verified data.
- A TWG member suggested two different approaches, firstly, that large, advanced users (e.g., those who report targets to SBTi) perform quantitative uncertainty assessment and, secondly, that SMEs or less advanced users utilize a tiered approach based on a simplified pedigree matrix. The TWG member also highlighted that primary data is almost nonexistent in everyday practice, and that emission factors from international databases may be preferable in some instances.
- The member suggested that defining the tiers by methods (e.g. supplier-specific, average, spend-based method) be considered, stating that calculation methods and data quality are not the same.
- A TWG member emphasized the need for any solution to be clear and feasible, and questioned if there is a way to define the tiers using the familiar principle of source of data (i.e., primary versus secondary) while at the same time improving definitions and tightening requirements to primary and secondary data.
- A TWG member emphasized their preference to discuss this issue in the context of scope 1 or scope 2 emissions, where uncertainty is already more practiced and for which uncertainty assessment requirements could be rolled out more easily, informing any scope 3 application. The Secretariat confirmed that it is the intent for the TWG group to develop an approach that could be transposed and applied to corporate reporting overall (including scope 1, 2, and 3) and acknowledged that higher tiers of reporting could be applicable in the beginning to scope 1 and 2 reporting predominantly. Another TWG member agreed that making this mandatory for scope 1 and scope 2 disclosures is critical and that for scope 3 it depends on defining the right metric for data quality.
- A TWG member suggested that the group’s decision-making criteria should be uncertainty (including precision and accuracy) and practical feasibility.

Outcomes (e.g. recommendations, options)

- A poll was held to assess TWG member support for the approach of a tiered system in general, without specifying the tier titles (terminology). There was indicative consensus on this option, with 12 TWG members pro, 1 member against, and 2 TWG members abstaining.
- The specifics of the tiered system will be discussed in a future meeting(s).

6. Next steps

- The Secretariat presented the next steps (see slide 20) and clarified that the time of the next meeting presented on the slide for CET, CHN, and AET zones is incorrect, and will be corrected.

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- The Secretariat to correct the time of the next meeting.

Summary of written submissions received prior to meeting

No submissions received