

Scope 3 TWG Group B Meeting Minutes

Meeting number 4

Date: 16 January 2025

Time: 9:00 – 11:-00 AM ET

Location: Virtual

Attendees

Technical Working Group Members

1. Lindsay Burton, Ernst & Young
2. Leo Cheung, The Carbon Trust
3. Betty Cremmins, Independent
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. Ashwini Hingne, WRI
10. Mitavachan Hiremath, SusPoT - Center for Sustainability
11. Tom Jackson, Loughborough University
12. Aysegul Koseoglu, Inter IKEA
13. Marion Kurdej, EcoAct
14. Tim Letts, WWF
15. Alan Lewis, Smart Freight Centre
16. Thea Lyngseth, ECOS
17. Ryan Maloney, Apple
18. Nicola Stefanie Paczkowski, BASF
19. Vishwesh Pavnaskar, Indorama Ventures
20. Ellen Riise, Essity Hygiene & Health AB
21. Benedicte Robertz, Umicore
22. Stacy Smedley, Building Transparency

Guests

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 Boundary Setting
2. Scope 3 – Group B – Meeting#4 – Presentation

Summary

Item	Topic and Summary	Outcomes
1	<p><i>Housekeeping</i></p> <p>The Secretariat presented the housekeeping rules.</p> <p>The Secretariat introduced new members of the subgroup.</p>	N/A
2	<p><i>Recap of the previous discussion</i></p> <p>The Secretariat presented a summary of previous discussions and decisions. The Secretariat outlined relevant outcomes from Scope 3 TWG Group A and Corporate Standard TWG Group 3.</p>	N/A
3	<p><i>Setting up the discussion</i></p> <p>The Secretariat introduced the goal for the meeting and topics to be addressed.</p>	N/A
4	<p><i>Influence criterion</i></p> <p>The Secretariat presented question 4 of <i>Discussion Paper B.1 Boundary Setting</i>, "Should the influence criterion be refined?", and four options for discussion during the meeting:</p> <p>Option 4A. Maintain the current language Option 4B. Define the lists of influence pathways Option 4C. Define levels of influence Option 4D. Maintain the current language on the criterion, but introduce a list of influence pathways as guidance</p> <p>The group discussed the question, and held an indicative poll.</p>	The TWG members indicated a preference for option 4D, supported by 68% of the group. Option 4B was supported by 18% of the group. Options 4A and 4C were each supported by 5% of the group. One TWG member abstained.
5	<p><i>Downstream emissions from intermediate products</i></p> <p>The Secretariat presented question 5 of <i>Discussion Paper B.1 Boundary Setting</i>, "Should the guidance on exclusion of downstream categories for intermediate products be revised?", and four options for discussion during the meeting:</p> <p>Option 5A. Maintain the current language Option 5B. Editorial change to facilitate interpretation Option 5C. Editorial change to facilitate interpretation, with removal of the provision to include or exclude all downstream categories Option 5D. Remove intermediate products as a special case</p> <p>The group discussed the question, and held an indicative poll.</p>	The TWG members indicated a preference for option 5C, supported by 67% of the group. Option 5D was supported by 24% of the group. Options 5A and 5B did not receive any support. Two members of the group abstained.
6	<p><i>Optionality of activities</i></p> <p>The Secretariat presented question 7 of <i>Discussion Paper B.1 Boundary Setting</i>, "Should the minimum boundaries of scope 3 categories be revised to require currently optional activities?", for discussion during the next meeting.</p>	N/A
7	<p><i>Next steps</i></p> <p>The Secretariat presented the next steps.</p>	N/A

Discussion and outcomes

1. Housekeeping

- The Secretariat presented the housekeeping rules and the decision-making criteria (see slides 2 – 7).
- The Secretariat introduced new members of Group B.

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

2. Recap of the previous discussion

- The Secretariat presented a summary of previous discussions and decisions. The Secretariat outlined relevant outcomes of work of Scope 3 TWG Group A and Corporate Standard TWG Group 3 (slides 9 – 11).

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

3. Setting up the discussion

- The Secretariat introduced the goal for the meeting and questions to be addressed (slides 13- 15).

Summary of discussion

- A TWG member raised the topic of the order of operations which, as mentioned in previous meetings, influences recommendations to be made on this meeting's questions. The secretariat confirmed that the order of operations (e.g., consider minimum boundary and optional boundaries before calculating magnitude thresholds) will be included in the next meeting.
- A TWG member asked if there will be space for the group to review the package of recommendations towards the end of the process. The Secretariat confirmed that the recommendations on boundary setting will be reviewed as a package in later meetings

Outcomes (e.g. recommendations, options)

- N/A

4. Influence criterion

The Secretariat presented question 4 of *Discussion Paper B.1 Boundary Setting*, "Should the influence criterion be refined?" and four options (slides 17-19):

- Option 4A. Maintain the current language
- Option 4B. Define the lists of influence pathways
- Option 4C. Define levels of influence
- The Secretariat presented the preliminary assessment of the options using the decision-making criteria, and results of a Group B poll held prior to the discussion (slides 20-21).

- The Secretariat put forth a proposal for Option 4D. Maintain the current language on the criterion, but introduce a list of influence pathways as guidance (slide 22).

Summary of discussion

- Two TWG members suggested that the emissions in minimum boundaries (required) and the optional boundaries listed for each scope 3 category should be reported separately, to ease benchmarking and enhance comparability of system boundaries between reporters. The Secretariat acknowledged the suggestion and noted that this point will be discussed in the next meeting. The Secretariat also noted that the Corporate Standard TWG is currently considering whether comparability should be added as a GHG accounting and reporting principle, and that this feedback will be brought to the Corporate Standard TWG.
- A TWG member supported the statement that influence is a very context-dependent criterion and is difficult to define, underscoring that this validates the idea of separate reporting of required and optional elements.
- A TWG member voiced support for the Secretariat's proposal of Option 4D, highlighting that the list of influence pathways should be included in the main body of the *Scope 3 Standard* rather than in an appendix. The member further suggested adding a point on policy engagement to the list, noting that engagement with policymakers and governments can lead to value chain decarbonization and is a key, potential influence pathway.
- A TWG member stated that if the influence criterion is left to a preparer's discretion it would still be a source of ambiguity, and asked how companies would transparently disclose their interpretation and approach. The Secretariat agreed and suggested that reporters should disclose how they apply the criterion of influence. The Secretariat invited TWG members to provide their suggestions. No members provided suggestions.

Outcomes (e.g. recommendations, options)

- The Secretariat held an indicative poll for the question "Should the influence criterion be refined?", with the following results:
 - Option 4A. Maintain the current language: 5% (1/22)
 - Option 4B. Define the lists of influence pathways: 18% (4/22)
 - Option 4C. Define levels of influence: 5% (1/22)
 - Option 4D. Maintain the current language on the criterion, but introduce a list of influence pathways as guidance: 68% (15/22)
 - Abstain: 5% (1/22)

5. Downstream emissions from intermediate products

- The Secretariat presented question 5 of *Discussion Paper B.1 Boundary Setting*, "Should the guidance on exclusion of downstream categories for intermediate products be revised?", and four options (slides 25-29):
 - Option 5A. Maintain the current language
 - Option 5B. Editorial change to facilitate interpretation
 - Option 5C. Editorial change to facilitate interpretation, with removal of the provision to include or exclude all downstream categories
 - Option 5D. Remove intermediate products as a special case
- The Secretariat presented the preliminary assessment of the options using the decision-making criteria and implications of the options for hotspot analysis and threshold definition (slides 31-33).

Summary of discussion.

- A TWG member noted that the wording "correct" and "incorrect" referring to interpretations (slide 26) may not be suitable and should be changed to "the intended meaning" and "not the intended meaning". The Secretariat agreed.
- A TWG member noted a disconnect between the potential exclusion of transport activities for intermediate products and the current "who pays" classification of category 4 and 9. The TWG member recommended further consideration of this potential ambiguity.
- A TWG member noted that in order to make a recommendation on the issue, it would be helpful to understand why the exception for intermediate products was made in the first place. Another TWG

member suggested that the exclusion provision might have been included as a solution to the problem of lack of data quality and data availability for various potential uses of intermediate products, as well as the question of “ownership” of emissions. The Secretariat stated that the main argument for the special case in the development of the *Scope 3 Standard* was the (lack of) data available on the downstream use of intermediate products. The Secretariat clarified that this was intended for situations where estimating emissions is genuinely not possible and noted that this should and will be reconsidered: whether this exception for intermediate products is still sensible in current reality.

- A TWG member voiced the opinion that the group might need to tighten the language in order to avoid reporters utilizing this as a loophole to exclude emissions when they shouldn't (e.g., excluding partial emissions from categories, not entire categories).
- A TWG member noted that the current wording referring to “reasonability” is problematic and might be enabling potentially superficial exclusions (e.g., “I don't know”). The TWG member emphasized that carbon accounting has progressed in the last decade and omissions due to the lack of knowledge may no longer be a reasonable justification for exclusion.
- A TWG member agreed with the speaker highlighting that the “ownership” of emissions is currently a big argument for exclusion. The TWG member however argued that intermediate products that don't directly cause emissions during the use phase of a final product (of which the intermediate product is a part or component), often do contribute to said use-phase emissions through design, efficiencies, and losses associated with the intermediate product. The TWG member further noted the existence of sector-specific guidance on use stage scenarios in LCA, as well as consideration of specific uses of products while designing and developing them. The member highlighted that this invalidates the argument of lack of data. The TWG member consequently expressed support for option 5D.
- A TWG member agreed with the previous speaker regarding the contribution of intermediate products to the use phase emissions of final products, for example, for non-drive train components, and highlighted that strategies for product designers to reduce said emissions indirectly do exist (e.g. decreasing the weight of a component). The TWG member stated that the *Scope 3 Standard* should encourage maximum inclusion, and exclusions should be an exception to the rule. Another TWG member added that this question often comes down to direct vs indirect use-phase emissions and whether products actively consume energy.
- A TWG member stated that excluding the emissions of multiple downstream categories of an intermediate product simply because one downstream category is excluded, is not appropriate, including from a target setting and validation perspective. If exclusions should be made possible at all the member voiced support for Option 5C, or alternatively Option 5D. Several TWG members supported this opinion.
- A TWG member noted challenges arising from the definitions of intermediate and final product, as companies use this to determine whether to take on all (100%) or a fraction (%) of the downstream scope 3 emissions of a product. The TWG member provided an example of a compressor that can be sold as a final product, or considered as an intermediate product (component) in a bigger system (final product). The TWG member highlighted that big manufacturing organizations are starting to report two figures, one utilizing an ‘intermediate product approach’, and one utilizing a ‘final product approach’.
- Another TWG member agreed and noted that the distinction between an intermediate and final product might be artificial. The TWG member added examples from the chemical sector, where the final use of a chemical determines whether greenhouse gases will be emitted or not, and that in these cases market average scenarios might be helpful. However, in the case of mining operations, the upstream scenarios are more obscure. With that, the TWG member supported option 5C or 5D, and specified that the final recommendation should be made when looking at all recommendations as a package. Another TWG member stated that while mining companies often can calculate category 10 (processing), only limited insights and/or influence on the final destiny of their products results in very unreliable data.
- A TWG member referred to their work with SBTi on the topic, highlighting difficulties caused by diverse interpretations by different manufacturers. The TWG member stated that a better definition in the *Scope 3 Standard* would also benefit development of other frameworks. The TWG member additionally urged the group to consider the capacity of SMEs in this assessment.

- A TWG member stated that in the ICT sector, products are often intermediate goods (e.g., chips, servers) that are used in diverse downstream applications. For these cases, the current guidance allows companies to exclude downstream categories if end uses are uncertain, leading to inconsistent reporting. From that perspective, the TWG member stated that option 5C provides better clarity and transparency without mandating exhaustive estimations that can be too complex for diverse users and detract from action. As many ICT companies have committed to net-zero goals and science-based targets, option 5C also promotes transparent and consistent Scope 3 reporting to demonstrate progress.
- A TWG member argued that a lack of certainty of information should not be a reason for exclusion, as progress can be achieved by starting with estimates and improving over time. Option 5D allows for that while at the same time removing complexity. The TWG member suggested asking companies to be transparent about their approach to accounting for intermediate product emissions and a share of the final product use-phase emissions that is attributed to them.
- A TWG member stated that the *Scope 3 Standard* should encourage companies to develop a deep understanding of how and where their intermediate and/or final products are being used.
- A TWG member expressed the opinion that companies in the oil & gas, chemicals, and other, similar sectors use this provision as a loophole to not comprehensively account for and report downstream emissions of fuels, chemicals, etc.
- A TWG member noted that the case of chemicals/raw materials is very different than products requiring direct energy during use
- A TWG member referred to their own experience working with a very large portfolio of intermediate products, and the effort to address their downstream emissions. The member specified that even with best intentions, there are cases when generating a number is not cost-effective due to the high uncertainty of the value and practically no leverage over emissions reduction(s). That explains why the company maintains a stronger focus on upstream emissions. The TWG member further specified that some downstream categories are easier to estimate than others and noted their preference for Option 5C.
- The Secretariat summarized that the discussion involves a complex combination of issues, including definitions of intermediate and final products, differences between direct and indirect use-phase emissions, and the rationale for the exclusion of downstream emissions of intermediate products. Several TWG members agreed with this summary. A TWG member suggested considering the issue of direct vs indirect emissions before talking about intermediate and final products and other issues. Another TWG member supported this opinion. The Secretariat suggested addressing the issues one by one and revisiting them as a package at the end.
- A TWG member highlighted the high uncertainty of downstream use-phase scenarios for some intermediate products, such as polyester or nylon, unless every distinct product category is given a default use scenario. The use-phase emissions of these products is more certain and known by downstream value chain partners selling final products, where calculation and reporting may be more actionable. The member however raised doubt whether the challenge of quantifying intermediate products' downstream emissions is unique, given that final product similarly exhibit uncertainty (including limited data availability) of downstream emissions from distribution, use, and end of life treatment.
- A TWG member raised the need to ensure climate action, and expressed concern that exclusions might have unintended consequences. The member highlighted that requiring reporting of end-of-life of intermediate products should not incentivize landfill, and that reporting of end of life of sold products becomes even more complex with considerations of circularity and multiple life cycles of products and materials.
- A TWG member stated that Option 5D would enforce full reporting of downstream emissions for intermediate products, which is in line with completeness and closes loopholes for exclusion. However, this would significantly increase reporting burdens and may introduce challenges estimating uncertain downstream emissions. The member questioned the value those estimates may bring.
- A TWG member argued for pilot testing options and/or opening a call for evidence to understand what decisions companies are making, what counts as intermediate products, and what is being excluded.
- A TWG member referenced SBTi's guidance regarding intermediate products where estimates can reasonably be made. The TWG member argued that encouraging companies to understand the

downstream emissions of their intermediate products should be paired with action to address data gaps.

- The Secretariat asked the group if Option 5D is reasonable for SMEs, as estimations may be costly. No responses were provided.
- A TWG member noted that with increasing chain of custody and extended responsibility producer requirements coming into law around the world, not knowing where intermediary products are used is becoming less of a reality
- A TWG member asked how this issue connects to the data quality discussions in Group A, and if reporting very low-quality data separately could resolve the issue. The Secretariat outlined current discussions of group A on disaggregated reporting based on quality, and the option of separate reporting low-quality data.
- The member asked if the non-reporting of tier 3 data is being considered, and if that could be added to Option 5D. The Secretariat acknowledged this suggestion but suggested addressing it later on, when the final package of recommendations on boundary setting is up for review and group A progresses in discussions.
- Another TWG member asked how data improvements can be factored into considerations on the exclusion of intermediate products, and if the GHG Protocol will revisit the exclusion requirements later on. The Secretariat confirmed that the data quality improvements requirement will be considered by Group A. The Secretariat clarified that the current revision procedure assumes updates to the *Scope 3 Standard* every 4 to 5 years, which presents an opportunity for the reconsideration of exclusion requirements; however, the group should aim at making the current revision as durable and long-lasting as possible.

Outcomes (e.g. recommendations, options)

- The Secretariat held an indicative poll on the question, "Should the guidance on exclusion of downstream categories for intermediate products be revised?", with the following results:
 - Option 5A. Maintain the current language: 0% (0/21)
 - Option 5B. Editorial change to facilitate interpretation: 0% (0/21)
 - Option 5C. Editorial change to facilitate interpretation, with removal of the provision to include or exclude all downstream categories: 67% (14/21)
 - Option 5D. Remove intermediate products as a special case: 24% (5/21)
 - Abstain: 9% (2/21)

6. Optionality of activities

- The Secretariat presented question 7 of *Discussion Paper B.1 Boundary Setting*, "Should the minimum boundaries of scope 3 categories be revised to require currently optional activities?", for discussion during the next meeting.

Summary of discussion

- A TWG member highlighted that the *Scope 3 Standard* and the *Technical Guidance* list more optional activities than those included in table 5.4 and suggested inclusion of all of those activities for consideration. Another TWG member noted that some category 15 activities are not expressly listed as optional but could be omitted by users due to the vague phrasing of minimum boundaries (e.g., include the scope 3 emissions of investees' "... when... significant..." or "where relevant" (p. 54, *Scope 3 Standard*)).
- A TWG member pointed out that the distinction between direct and indirect use-phase emissions is misleading, citing the example of a car where use-phase emissions dominate full life cycle emissions and which may be interpreted as indirect by the manufacturer who is not driving the car. The Secretariat acknowledged the confusion arising from the terminology "indirect" (scope 2 and scope 3) emissions and indirect use-phase (scope 3 category 11) emissions.
- A TWG member noted that accounting for indirect use-phase emissions should be required if the product in question cannot be used without causing them (e.g., a loading webpage). A TWG member supported this idea but highlighted the difficulty of drawing a line on system boundaries for practical implementation. For example, if a manufacturer's product is sold in a physical store, does the

manufacturer have to account for the consumer's ("last mile") commute to and from the store? Or the construction and maintenance of roads? Or the governmental services to safeguard traffic?

- A TWG member provided an example of AI and smartphone applications that use data centers as a service, and highlighted that the emissions of data centers should be accounted for and reported. The TWG member asked if the ICT sector is a special case.
- A TWG member expressed the opinion that the cradle-to-gate emissions associated with manufacturing buildings, equipment, and infrastructure associated with the activities of all categories should be required, citing the predominant and wide use of secondary, cradle-to-gate emission factors, which indicates feasibility. The TWG member noted, however, that category 8 would need additional guidance regarding accounting methods, especially for lease renewal situations
- A TWG member expressed the opinion that the approaches of existing sector-specific standards and guidance need to be considered. The TWG member noted that, for the transport sector, well-to-wheel emission factors are now established as a standard in the majority of frameworks, including the GLEC framework which carries a Built on GHG Protocol Mark. At the same time, ISO 14083 requires well-to-wheel factors for energy, but doesn't include maintenance or transport infrastructure due to lack of a credible methodology (expected update to start in 2028). The TWG member highlighted the relevance of alignment between the GHG Protocol and various ISO standards
- A TWG member suggested an alternative option of considering optional activities on a case-by-case basis and deciding whether to include them in a required boundary, excluding them from the list altogether, or reporting them separately.

Outcomes (e.g. recommendations, options)

- N/A

7. Next steps

- The Secretariat presented the next steps (see slide 20).

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

Summary of written submissions received prior to meeting

No submissions received