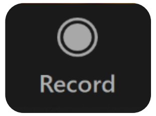
Scope 3 Technical Working Group Meeting

Working draft, do not cite

Group B
Meeting 4
Influence and Downstream emissions from intermediate products

January 16th, 2024

Welcome and Meeting information



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

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Meetings by topic

Meeting code	Date	Topic(s) (Discussion Paper B1 Question(s))
B.1	31 Oct 2024	Kick-off
B.2	21 Nov 2024	Relevance and significance (Q1, Q2, Q3)
B.3	12 Dec 2024	Significance and de minimis (Q3, Q6)
B.4	**16 Jan 2025**	**Influence and Downstream emissions from intermediate products (Q4 & Q5)**
B.5	6 Feb 2025	Optionality and hotspot analysis (Q7, Q8)
B.6	27 Feb 2025	Intermediary parties
B.7	20 Mar 2025	Intermediary parties (continued)
B.8	10 Apr 2025	Target setting updates
B.9	1 May 2025	Base year recalculation & decision pathway
B.10	22 May 2025	Category and other performance metrics
B.11	12 Jun 2025	Disclosure requirements for scope 3 performance communication
B.11	12 Jun 2025**	Leased assets

Agenda

- Attendance and Housekeeping (5 min)
- Recap of the previous work (5 min)
- Setting up the discussion (10 min)
- Catch up: Influence criterion of relevance (20 min)
- Downstream emissions from intermediate products
    - Options introduction (10 min)
    - Break (5 min)
    - Discussion (35 min)
- Optionality (20 min)
- Poll (5 min)
- Next steps (5 min)

Housekeeping

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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*

* 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

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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.

Illustrative example	**Option A: Name**	**Option B: Name**	**Option C: Name**
1A. Scientific integrity	• Pros • Cons	• Pros • Cons	• Pros • Cons
1B. GHG accounting and reporting principles	• Pros • Cons	• Pros • Cons	• Pros • Cons
2A. Support decision making that drives ambitious global climate action	• Pros • Cons	• Pros • Cons	• Pros • Cons
2B. Support programs based on GHG Protocol and uses of GHG data	• Pros • Cons	• Pros • Cons	• Pros • Cons
3. Feasibility to implement	• Pros • Cons	• Pros • Cons	• Pros • Cons

Note: This is a summary version. For further details, refer to the full decision-making criteria included in the annex to the Governance Overview, available at https://ghgprotocol.org/our-governance.

Recap of the previous discussions

Main outcomes of previous Group B discussions

1. Regarding how the relevance principle should be considered in the exclusion of activities, the TWG prefers **option 1C: Relevance is required based on the criterion of magnitude of emissions only**
    - *Requiring relevance defined as meeting at least one of the relevance criteria (option 1B + option 2B) was a runner-up*

2. Regarding whether a magnitude threshold should be defined, the TWG prefers **option 3C-2: A default magnitude threshold should be defined by the Scope 3 Standard.**
    - *A magnitude threshold defined by the Scope 3 Standard (option 3C-1) was a runner-up*

3. The TWG prefers **cumulative threshold** with a preliminary value of **cumulative 5% of total scope 3**

4. The TWG generally agreed on allowing de minimis, **combining de minimis exclusions with other exclusions under the cumulative magnitude threshold**

Cross-cutting topics from Group A

1. Regarding the revision of inventory quality reporting requirements, the TWG prefers **option 3: Disaggregated reporting of scope 3 emissions based on quality**
    - In this option, an inventory would be itemized (disaggregated) by tier based on data quality

2. The TWG has not yet finalized development of a principle for the differentiation of the tiers

3. *This line is a placeholder for the updates based on the outcomes of the meeting #A.4, if relevant*

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Cross-cutting topics from the Corporate Standard TWG

Corporate Standard TWG, Subgroup 3 is considering the question of requiring of Scope 3 reporting for Corporate Standard compliance. Two meetings have been held, with preliminary recommendations:

1. Should there be a scope 3 requirement in the Corporate Standard? (Single choice)

13/13 (100%) answered

No - Maintain Corporate Standard optionality for scope 3 reporting	(0/13) 0%
Yes - Adopt a scope 3 requirement in the Corporate Standard	(13/13) 100%

1. What should the scope 3 reporting requirement be? (Single choice)

14/14 (100%) answered

All scope 3 emissions	(0/14) 0%
All relevant scope 3 emissions	(1/14) 7%
All significant scope 3 emissions	(3/14) 21%
Hybrid option: "companies shall report all significant emissions and should also report relevant emissions"	(10/14) 71%
Other	(0/14) 0%
Abstain	(0/14) 0%

1. Do you support the following outcome from the Scope 3 TWG Subgroup B on defining a magnitude/significance threshold? Cumulative 5% exclusion threshold, relative to total scope 3 (Single choice)

15/15 (100%) answered

Yes, I support the cumulative scope 3 threshold with 5% exclusion	(13/15) 87%
Yes, but I think the % should be different	(2/15) 13%
No, I think it should be defined in a different way	(0/15) 0%
Abstain	(0/15) 0%

Upcoming discussions will explore whether to define different levels of scope 3 reporting requirements, and if so, what those levels should be. They will consider differentiated requirements by reporter type (e.g., company size, sector, geography) and conformance levels.

Setting up the discussion

Flowchart of Options, Questions 1-2-3-8

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?

8. Should organizations be required to carry out a hotspot analysis as a step towards setting the inventory boundary?

Option 1A
Maintain current language

n/a

Option 3A
Maintain current language

Option 3C
Defined by the Standard

Option 3B
Defined by preparer

Option 3D
All shall be accounted

Option 8A
No, recommended

Option 8B
Yes, required

Option 1B
Relevance is required

Option 2A
Maintain current language

Option 2B
Relevance criteria

Option 1C
Relevance based on magnitude

n/a

Option 3B

Option 3C

3C-1. Defined by the Standard

3C-2. Default defined by the Standard

Option 8B
Yes, required

*Options considered in questions 1, 2, 3, and 8 are interdependent, and therefore considered in this flowchart. Other questions are considered separately as independent.

Flowchart of Options, Questions 1-2-3-8

8. Should organizations be required to carry out a hotspot analysis as a step towards setting the inventory boundary?

Option 8B

Yes, required

How often?

Qualify exclusions **annually** (69% of TWG group poll)

Should optional activities, downstream, and/or cat. 15 be included in the denominator?

What are the flow and the calculation methods?

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Questions being discussed in this meeting:

Considerations of the influence criterion:

Q4. **Should the influence criterion be refined for determining relevance?** (Question 4 of *Discussion paper B1*)

Option 4A. Maintain the current definition of influence
Option 4B. Define a list of influence pathways
Option 4C. Define the level of influence

Should downstream activities be included in the denominator?

Q5. **Should guidance on the exclusion of downstream categories for intermediate products be revised?** (Question 5 of *Discussion paper B1*)

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

Q7. **Should the minimum boundaries of scope 3 categories be revised to require currently optional activities?** (Question 7 of *Discussion paper B1*)

Option 5A. Maintain optionality of specific activities
Option 5B. Optionality is removed, with all activities included in required minimum boundary
Option 5C. Updates to optionality of specific activities is considered on a case-by-case basis

Influence criterion

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Question 4. Should the influence criterion be refined?

- "Scope 3 emissions can be influenced by the activities of the reporting company, such that companies often have the ability to influence GHG reductions upstream and downstream of their operations."
- Degrees of influence are broadly and inconsistently defined and applied by users

4A	**Maintain the current language** "There are potential emissions reductions that could be undertaken or influenced by the company" (Table 6.1).
4B	**Define the lists of influence pathways** *Scope 3 Standard* would list the (minimum) influence pathways that should be considered.
4C	**Define levels of influence** *Scope 3 Standard* would define level of influence sufficient for emissions to be considered relevant.

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List of influence pathways (mock-up)

*Based on Table 9.7 of the Standard:

- Change of value chain partner
- Value chain partner engagement
- Implementation of low-GHG procurement policies, including materials and energy procurement
- Reduction of own material and energy consumption or change of consumption patterns
- Waste generation reduction
- Adoption of low-emitting waste treatment methods
- Replacing, removing, or installing equipment
- Maintenance procedures and (re)design thereof
- Process optimization
- (Re)design of products or services, including supplementary and complementary products, packaging, etc.
- Business model change
- Stakeholder engagement in and incentivizing of low-emission behaviors
- Changes in business processes and locations
- Implementation of low-emission investment policies
- Implementation of low-emission client-selection process policies
- Other ways determined by sector guidance
- Other ways determined by the company

Definitions (mock-up)

Based on the classification by Emborg, Lloyd and Olsen*:

“Emissions are deemed to be relevant if the entity has **direct** or **indirect control** of processes considered in the accounting of emissions from activities.

- *Direct control* assumes changes in the entity’s own operations leading to changes in the parameters of accounting (e.g. supplier change, maintenance procedures, standard requirements, design criteria, etc.).
- *Indirect control* assumes that changes in engagement with value chain partners can lead to changes in parameters of accounting (e.g. demand or criteria setting in procurement, employee incentivizing, etc.).

*Emborg, Mia, Lloyd Shannon, Olsen, Stig, 2023. Why process-level Scope 3 accounting is needed for delivering supply chain greenhouse gas emission reduction, Integrated Environmental Assessment and Management — Volume 19, Number 5—pp. 1165–1167

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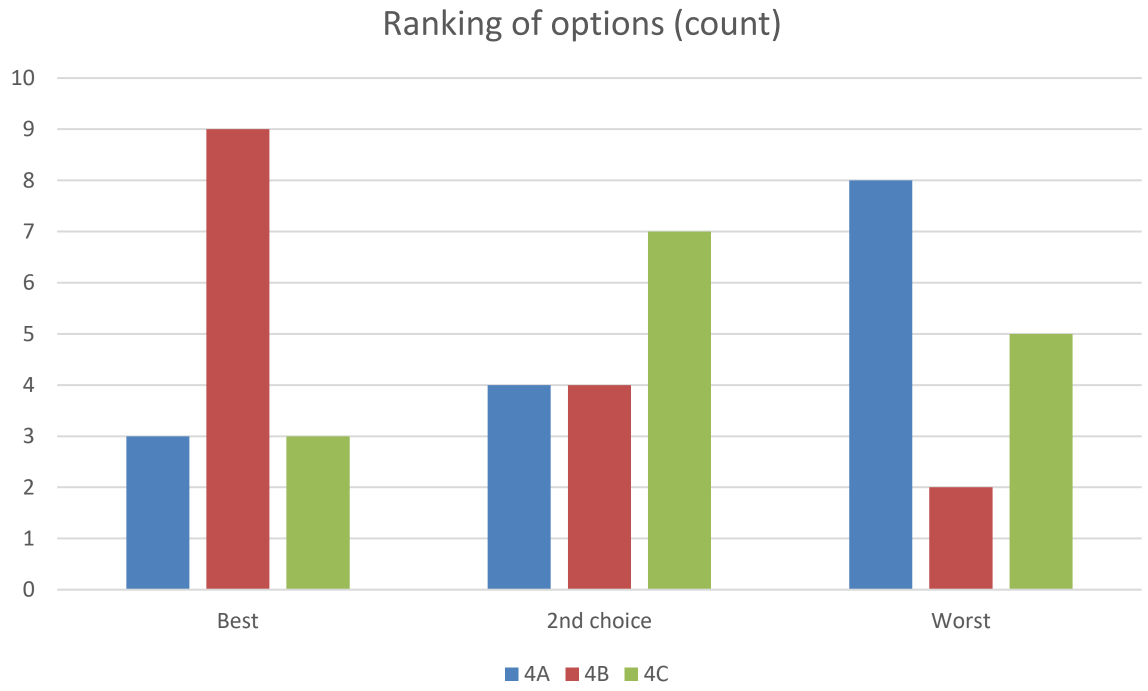
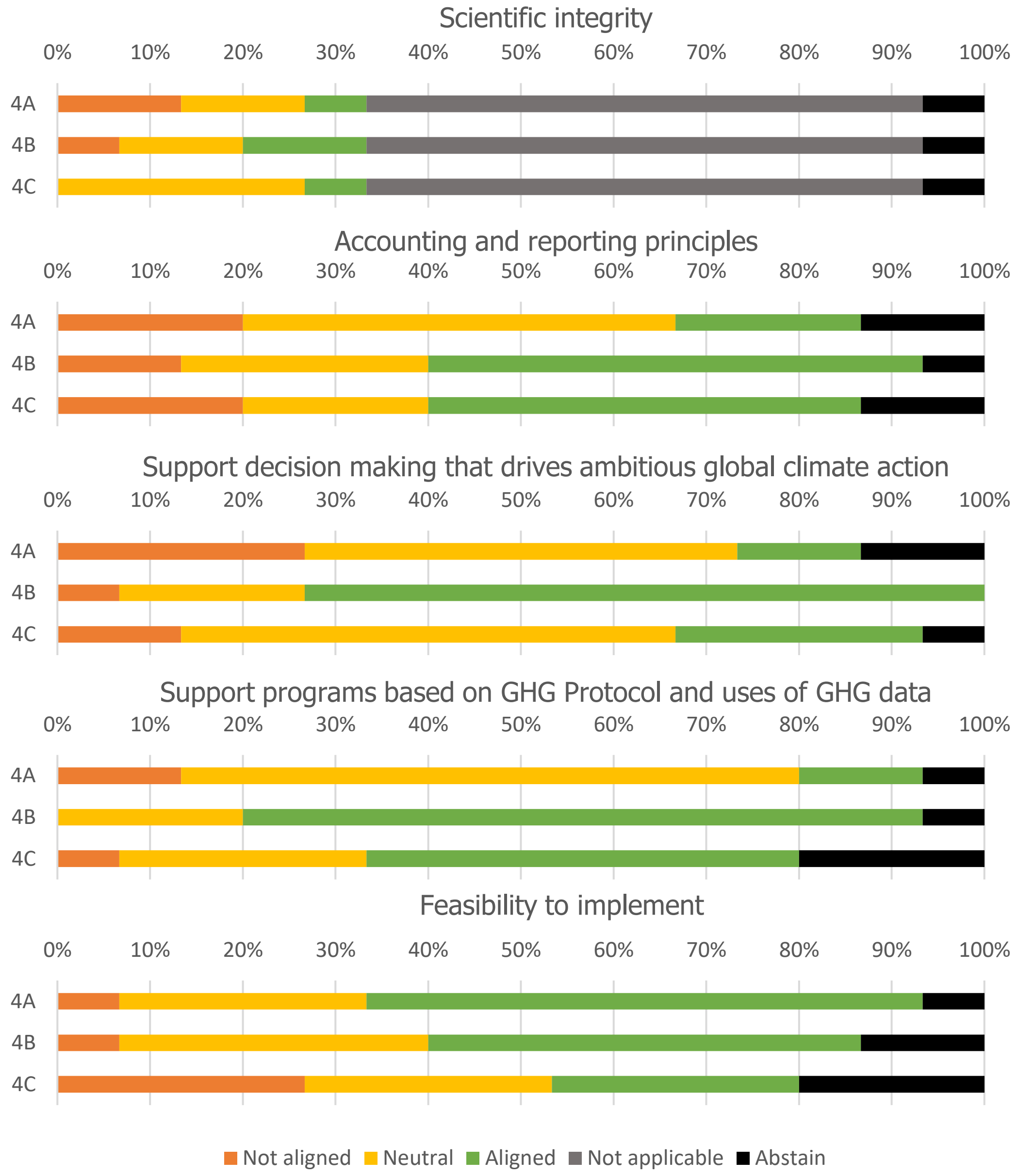
Preliminary analysis on the decision-making criteria

Criteria	Option 4A: Maintain the current definition of influence	Option 4B: Define a list of influence pathways	Option 4C: Define the level of influence
Scientific integrity	Largely NA	Largely NA	Largely NA
GHG accounting and reporting principles	Pros: allows for reflecting relevance through influence within the organization-specific context Cons: Challenging transparency in relevance definition, and potentially consistency	Pros: Increasing transparency in relevance definition, potentially promoting consistency and completeness	Pros: Potentially increasing transparency in relevance definition, potentially promoting consistency and completeness (subject to rigid definitions)
Support decision making that drives ambitious global climate action	Pros: Leaving the judgment of relevant influence to the preparer for their context, facilitating most relevant action Cons: Potentially creating loopholes allowing for omission of relevant emissions	Pros: Requiring preparers to consider a wide range of actions that can lead to the emissions reductions, creating clarity and therefore promoting action	Pros: Requiring preparers to consider potential ways of direct and indirect influence that can lead to emission reductions. Creating structure for consideration and freedom in definition of action Cons: leaving room for non-consideration / omission of some actions
Support programs based on GHG Protocol and uses of GHG data	Pros: Largely interoperable Cons: unclear definition of influence impedes interpretation of the relevant emissions	Pros: Higher support to user in provision of concrete actions that are to be considered by preparers Largely interoperable	Pros: Some support to user in provision the general definition of influence as a criterion of relevance. Largely interoperable
Feasibility to implement	Pros: Feasible; procedure of consideration is defined by the preparer	Pros: Largely feasible Cons: may require more in-depth analysis of influence per activity	Pros: Largely feasible Cons: may require effort in definition of potential direct and indirect control actions, and more in-depth analysis of influence per activity

Outcomes of the poll

Options:
4A: maintain the current language
4B: Define a list of influence pathways
4C: Define levels of influence





*Based on 15 responses. The poll was conducted prior to the meeting to inform the discussion, the results are not intended for use in decision making, and opinions expressed through the polling are not binding and may change

Secretariat's Proposal

1. The TWG's preference in relevance considerations is 1C: Relevance is required based on the criterion of magnitude of emissions only
   - Thus, this brings only magnitude considerations of relevance to requirements ("shall" language)
   - Thus, influence considerations of relevance stay on the level of recommendations ("should" language)
   - Thus, influence considerations stay at discretion of preparer
   - Thus, it is no longer a critical question to provide an unequivocally defined approach to influence

2. Influence is a very context-specific matter and difficult to pinpoint on a generic level

3. The Secretariat proposal:
   - Maintain the current language on the influence criterion: "There are potential emissions reductions that could be undertaken or influenced by the company"
   - Introduce into the text a list of influence pathways as guidance for preparers in Chapter 6 or the Technical Guidance.

<poll>

Downstream emissions from intermediate products

Current guidance

Section 6.4, “Accounting for downstream emissions,” provides additional provisions for downstream categories intermediate products:

> “The applicability of downstream scope 3 categories depends on whether products sold by the reporting company are final products or intermediate products (see section 5.6).
>
> In certain cases, the eventual end use of sold intermediate products may be unknown. For example, a company may produce an intermediate product with many potential downstream applications, each of which has a different GHG emissions profile, and be **unable to reasonably estimate the downstream emissions** associated with the various end uses of the intermediate product. In such a case, **companies may disclose and justify the exclusion of downstream emissions from categories 9, 10, 11, and 12 in the report (but should not selectively exclude a subset of those categories)**.” (Scope 3 Standard, p. 60)

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Confusions and loopholes in interpretation

1. **Potential justification of exclusions is vague**

   "Reasonability of estimations" is a subjective construct and may lead to very diverse interpretations and potentially open loopholes to exclude relevant emissions.

2. **Statement that companies "should not selectively exclude a subset of those categories" in practice shows to see two different interpretations:**
   - Exclusion of one downstream category (9,10,11,12) for a product should be combined with the exclusion of all other of these categories for the same product. *[correct]*

     Underreporting: inability to estimate emissions in one downstream category may lead to exclusion of all downstream emissions even if they can be reasonably estimated
   - Exclusion of one downstream category (9,10,11,12) for a product should be combined with the full exclusion of this category for all products of the company. *[incorrect]*

     Underreporting: Inability to estimate emissions for one product may lead to exclusion of a whole category even if it can be estimated for other products

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Options under consideration

5A	Maintain the current language
5B	Editorial change to facilitate interpretation
5C	Editorial change to facilitate interpretation, with removal of the provision to include or exclude all downstream categories
5D	Remove intermediate products as a special case

Option 5B. Editorial change to facilitate interpretation

Goal is to reduce the unclarity of formulation addressing the points of confusion.

Suggested text*:

“The applicability of downstream scope 3 categories depends on whether products sold by the reporting company are final products or intermediate products (see section 5.6). In certain cases, the eventual end use of sold intermediate products, and related transportation, processing, use and end of life emissions, may be unknown. For example, a company may produce an intermediate product with many potential downstream applications, each of which has a different GHG emissions profile and lead to diverse end of life treatment. The company may ~~and~~ be unable to reasonably estimate the downstream emissions associated with the various end uses of the intermediate product, for example using methods such as stoichiometry, business intelligence and market research, regional statistics, sectoral guidance and default scenarios.

In such a case, companies may disclose and justify the exclusion of downstream emissions from categories 9, 10, 11, **and** 12 for the intermediate product(s) in question.

The company however ~~(but~~ should not selectively exclude a subset of those categories for that product.”

Option 5C. Editorial change to facilitate interpretation, with removal of the provision to include or exclude all downstream categories

Goal is to reduce the unclarity of formulation addressing the reasonable estimates, and to remove the provision on the subset of categories.

Suggested text*:

"The Applicability of downstream scope 3 categories depends on whether products sold by the reporting company are final products or Intermediate products (see section 5.6). In certain cases, the eventual end use of sold intermediate products, and related transportation, processing, use or end of life emissions, may be unknown. For example, a company may produce an intermediate product with many potential downstream applications, each of which has a different GHG emissions profile and lead to diverse end of life treatment. The company may ~~and~~ be unable to reasonably estimate the downstream emissions associated with the various end uses of the intermediate product, for example using methods such as stoichiometry, business intelligence and market research, regional statistics, sectoral guidance and default scenarios.

In such case, companies may disclose and justify the exclusion of downstream emissions from categories 9, 10, 11, **~~and~~ or** 12 ~~in the report~~ **for the intermediate product(s) in question.** **~~(But should not selectively exclude a subset of those categories~~** "

*removed text is in red and strikethrough, added text is in blue

Option 5D: Remove intermediate products as a special case

In this option, companies selling intermediate products down the value chain would be required to report the downstream emissions of those intermediate products to achieve completeness.

Companies would be required to show their best efforts to estimate the relevant downstream emissions.

If the emissions estimation is based on highly uncertain data (e.g., generic scenarios, global or regional statistics, secondary data), they might be required to report these emissions with a disclaimer and/or separately from the higher quality inventory

What would it mean for the hotspot analysis and thresholds

5A	5B	5C

Companies providing intermediate products will be allowed to exclude some activities:

1. Not consistent boundaries of inventory between companies
2. Potentially lower base of threshold for such companies

5D

Companies providing intermediate products will not be allowed to exclude downstream activities:

1. Consistent boundaries of inventory between companies
2. Higher uncertainty base of threshold for such companies

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Decision-making criteria assessment (1)

Criteria	Option 5A: Maintain the current language	Option 5B: Editorial change to facilitate interpretation	Option 5C: Editorial change to facilitate interpretation, with removal of provision to include or exclude all downstream categories	Option D: Remove intermediate products as a special case
Scientific integrity	Largely NA	Largely NA	Largely NA	Largely NA
GHG accounting and reporting principles	Pros: might support somewhat higher levels of accuracy Cons: Potentially challenges relevance, completeness, and transparency	Pros: Promoting relevance Potentially promoting consistency Cons: Potentially decreasing accuracy of specific categories Potential relevant categories may be omitted due to no-subset exclusion rule. Challenging completeness.	Pros: Promoting relevance. Potentially promoting consistency Cons: Potentially decreasing accuracy of specific categories. Challenging completeness.	Pros: Promoting relevance and completeness. Potentially promoting consistency Cons: Decreasing accuracy of specific categories
Support decision making that drives ambitious global climate action	Cons: unclear and uneven exclusions may lead to significant / relevant omissions	Pros: larger overview of relevance that can adjust the company's focus of action Cons: Additional burden that may be carried out at the cost of action	Pros: larger overview of relevance that can adjust the company's focus of action Cons: Additional burden that may be carried out at the cost of action	Pros: Could help identify emissions reduction opportunities Cons: Additional burden that may be carried out at the cost of action

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Decision-making criteria assessment (2)

Criteria	Option 5A: Maintain the current language	Option 5B: Editorial change to facilitate interpretation	Option 5C: Editorial change to facilitate interpretation, with removal of provision to include or exclude all downstream categories	Option D: Remove intermediate products as a special case
Support programs based on GHG Protocol and uses of GHG data	Pros: High interoperability Cons: unclear and incomparable exclusion.	Pros: clearer exclusion rules may ease interpretation of information and provide better overview to external users for their decision making. Medium to high interoperability Cons: Potentially added information will be of lower quality, uncertain and with multiple interpretations possible. No sub-set exclusion rule impeding receiving information potentially relevant for user's decision making. May potentially need alignment with SBTi and adjustments to existent sector guidance.	Pros: clearer exclusion rules may ease interpretation of information and provide better overview to external users for their decision making. Medium to high interoperability Cons: Potentially added information will be of lower quality, uncertain and with multiple interpretations possible. May potentially need alignment with SBTi and adjustments to existent sector guidance.	Pros: Larger overview of the scale of emissions for the user, however potentially lower accuracy impeding perceived actionability. Largely interoperable with regulations and reporting frameworks including SBTi Cons: Sector guidance for intermediate products may require revision Potentially added information will be of lower quality and uncertain.
Feasibility to implement	Pros: Preparers have discretion Cons: Confusing for preparers regarding choices to be made	Pros: reducing confusion in interpretation of the guidance. Cons: Additional effort of scenarios analysis and estimation for justification of exclusion	Pros: reducing confusion in interpretation of the guidance. Cons: Additional effort of scenarios analysis and estimation for justification of exclusion	Pros: reducing confusion in interpretation of the guidance. Cons: Additional significant effort of estimation of downstream emissions.

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Discussion

- What are the main strengths and weaknesses of the options in the perspective of the decision-making criteria
- Is there any option that is not viable?
- Of the viable options: which would be preferred?
- Based on that, would you make changes to the threshold set up?

Poll

Should the guidance on exclusion of downstream categories for intermediate products be revised?

1. **Option 5A.** Maintain the current language
2. **Option 5B.** Editorial change to facilitate interpretation
3. **Option 5C.** Editorial change to facilitate interpretation, with removal of the provision to include or exclude all downstream categories
4. **Option 5D.** Remove intermediate products as a special case
5. **Abstain**

Optionality of activities

Optional activities

Source: Table 5.4 of the *Scope 3 Standard* identifies the minimum boundaries of each scope 3 category. Some categories list optional activities:

Category	Optional activities
5. Waste generated in operations	Emissions from **transportation of waste**
7. Employee commuting	Emissions from **employee teleworking**
11. Use of sold products	**The indirect use-phase emissions of sold products** over their expected lifetime (i.e., emissions from the use of products that indirectly consume energy (fuels or electricity) during use)
15. Investments	**Debt investments** (without known use of proceeds), **managed investments and client services**, **other investments or financial services**

And life cycle emissions associated with manufacturing:

Category	Optional activities
4. Upstream transportation and distribution*	The life cycle emissions associated with manufacturing **vehicles, facilities, or infrastructure**
6. Business travel	The life cycle emissions associated with manufacturing **vehicles or infrastructure**
8. Upstream leased assets	The life cycle emissions associated with manufacturing or constructing **leased assets**
9. Downstream transportation and distribution	The life cycle emissions associated with manufacturing **vehicles, facilities, or infrastructure**
13. Downstream leased assets	The life cycle emissions associated with manufacturing or constructing **leased assets**
14. Franchises	The life cycle emissions associated with manufacturing or constructing **franchises**

*Cradle-to-gate of fuels (in fuel-based method) is listed as optional EF boundaries in the Appendix D of the Technical Guidance

Optional activities

From the Scope 3 Standard, p. 31:

> *"Table 5.4 identifies the minimum boundaries of each scope 3 category in order to standardize the boundaries of each category and help companies understand which activities should be accounted for.* ***The minimum boundaries are intended to ensure that major activities are included in*** *the scope 3 inventory, while clarifying that* ***companies need not account for the value chain emissions of each entity in its value chain, ad infinitum****. Companies* ***may*** *include emissions from optional activities within each category."*

1. Optionality of activities generally is indicated based on their expected low contribution, referring to the "no ad infinitum" argument.

   That might not be the case, at least, for category 11 (indirect use phase emissions) and 15 (optional investments types).
2. Following the accounting principles, however, companies still should quantify and report these optional activities if they are relevant.*

* In view of discussed updated: shall language might apply

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Stakeholder feedback

1. Several respondents expressed concern that differences in activities optionality and accounting boundaries give rise to year-over-year GHG inventory fluctuations, including because there is no consistency regarding inclusion or exclusion when assets are owned, leased, outsourced, or franchised.
2. Several asserted that this compromises the principles of consistency and relevance.
3. Some stakeholders noted potential inconsistencies of the optional Scope 3 activities between different frameworks.

   SBTi: WtW in transport activities is not optional.

   PCAF: differences in classification, and optionality of emissions related to cat. 15.

* In view of discussed updated: shall language might apply

Options under consideration

7A	**Maintain optionality**
7B	**Optionality is removed (all become minimum boundary/required)**
7C	**Optionality is considered category by category**

Option 7A. Maintain optionality

- Assumes keeping all the currently optional activities optional.
- The option is taken out of consideration as a specific case of option 5C.

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Option 7B. Optionality is removed

This would remove optionality as part of the minimum boundaries, requiring the company to report all emissions for a category.

- Companies would still be able to exclude specific emissions sources, if they fall under the magnitude/significance threshold.
- All activities in the minimum boundaries will become the base for the threshold definition.

Indirect use phase emissions (cat.11) and optional investments emissions (cat. 15) may significantly increase the base for the threshold definition, while potentially decreasing its certainty => ***potentially needed reconsideration of the value of the threshold***

Current considerations of Group C may change the scope of category 15 reporting adding a significant list of activities. Same may happen in phase 2 for other categories.

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Decision-making criteria considerations for Option 7B

Criteria	Pros	Cons
Scientific integrity		
GHG accounting and reporting principles	More emphasis on relevance, likely increased completeness and consistency; somewhat improvements on transparency	
Support decision making that drives ambitious global climate action	Potential for uncovering relevant activities previously omitted, for taking action. More consistency and transparency cross- organizationally may increase clarity on higher level policies.	Additional estimations burden that may be carried out at the cost of action Inclusion of large but low-quality emissions may blur out the focus of action.
Support programs based on GHG Protocol and uses of GHG data	Medium to high support of users: a set range of activities is in scope, relevance is (potentially) indicated for exclusion. Facilitates cross-company comparisons.	Adjustments might be needed in sector standards to ensure interoperability Inclusion of large but low-quality emissions may blur out the vision of the data and its usefulness
Feasibility to implement	Clearer guidance	Additional burden for accounting for and reporting previously optional activities. Additions to the activities lists (cat. 15) may significantly increase the burden. Moreover, their inclusion may cause additional adjustments needed to already established baselines and methodologies.

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Option 7C. Case-by-case considerations

For this option, the specific activities currently defined as optional would each be reviewed. For each optional activity, it would be determined whether that activity would remain optional, or if it would become part of the minimum boundary.

Category	Minimum boundary
Group 1	Emissions from transportation of waste
Group 2	The life cycle emissions associated with manufacturing vehicles, facilities, or infrastructure Cradle-to-gate of fuels (in fuel-based method) Emissions from employee Teleworking
Group 3	The indirect use-phase emissions of sold products over their expected lifetime (i.e., emissions from the use of products that indirectly consume energy (fuels or electricity) during use)
tbd	The life cycle emissions associated with manufacturing or constructing leased assets
Group C	The life cycle emissions associated with manufacturing or constructing franchises; Debt investments (without known use of proceeds), managed investments and client services, other investments or financial services

- Companies would still be able to exclude emissions from optional activities.
  Even if of relevant/significant magnitude?
- The base for the threshold definition would be all required activities in minimum boundaries

Decision-making criteria considerations for Option 7C

Criteria	Pros	Cons
Scientific integrity		
GHG accounting and reporting principles	Likely increased completeness More category-specific considerations may increase the relevance fine-tuning.	
Support decision making that drives ambitious global climate action	Potentially better insight into relevant emissions provides the ground for action	Additional estimations burden that may be carried out at the cost of action
Support programs based on GHG Protocol and uses of GHG data	A set range of activities is in scope	Inclusion of activities that are left optional may be unclear, with their relevance not addressed. Adjustments might be needed in sector standards to ensure interoperability May impede cross-company consideration
Feasibility to implement	Somewhat reduced burden of assessment for minimal optional activities	Additional burden for accounting for and reporting of previously optional activities. Moreover, their inclusion may cause additional adjustments needed to already established baselines and methodologies

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What would it mean for the hotspot analysis and thresholds

7B **All significant* emissions activities are required**	**7C** **Some activities remain optional**
Consistent boundaries of inventory between companies; potentially higher uncertainty denominator for the threshold	Potentially not consistent boundaries of inventory between companies. Setting up the required activities as the denominator for the threshold.

- Here significant is a tentative term for the emissions that do not fall under the magnitude/significance threshold for exclusions

Next Steps

Next steps

- GHG Protocol Secretariat:
  - Distribute the recording, feedback form and poll (as needed) (by Jan 17)
  - Prepare and distribute minutes of the meeting (by Jan 23)

- TWG members:
  - Provide feedback on the discussion (by Jan 27)

The next meeting B.5 is on February 6th

- TWG members:
  - Please advise if you will *not* be able to attend the February 6th meeting

Thank you!

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