

# Scope 3 TWG Group A Meeting Minutes

Meeting number 5

Date: 30 January 2025

Time: 9:00 – 11:00 ET

Location: Virtual

## Attendees

### Technical Working Group Members

1. Sahil Aggarwal, Greenview
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. René Garrido, Universidad de Santiago de Chile
8. Susanne Vedel Hjuler, Independent
9. Michael King, Cisco Systems, Inc.
10. Wenjuan Liu, RMI
11. Christoph Meinrenken, Columbia University
12. Elliot Muller, CIRAI, Polytechnique Montréal
13. Julie Sinistore, WSP
14. Sangwon Suh, Watershed
15. Francesca Testa, CDP
16. Carl Vadenbo,ecoinvent association

### Guests

N/A

### GHG Protocol Secretariat

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

## Documents referenced

1. Discussion Paper A.1 Inventory Quality
2. Scope 3 – Group A – Meeting#5 – Presentation

## Summary

Item	Topic and Summary	Outcomes
1	<b><i>Housekeeping</i></b> The Secretariat presented the housekeeping rules.	N/A
2	<b><i>Recap of the previous discussion</i></b> The Secretariat presented a summary of previous discussions and the status of cross-cutting discussions in the <i>Corporate Standard</i> TWG Subgroup 3. The Secretariat outlined the feedback received from the TWG members after the previous meeting and provided a response.	N/A
3	<b><i>Setting up the discussion</i></b> The Secretariat introduced the approach for setting calculation methods as the disaggregation principle for the tiers, and outlined the discussion points for the meeting.	N/A
4	<b><i>Data specificity</i></b> The Secretariat presented the topic of data specificity in in scope 3 accounting utilizing cradle-to-gate emission factors, and a suggested adjustment to the specificity considerations. The secretariat provided an example of the application and implications for data transfer along the value chain of this proposed change.	N/A
5	<b><i>Calculation methods for category 11</i></b> The Secretariat presented the calculation methods currently specified for category 11 in the <i>Scope 3 Standard</i> , and a suggested adjustment of the classification to facilitate the considerations regarding data specificity.	N/A
6	<b><i>Next steps</i></b> The Secretariat presented the next steps.	N/A

## Discussion and outcomes

### 1. Housekeeping

- The Secretariat presented the housekeeping rules (see slides 4 - 6).

#### 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 the status of cross-cutting discussions in the *Corporate Standard* TWG Subgroup 3 (slides 8-11, 13-14). The Secretariat outlined the feedback received from the TWG members after the previous meeting and provided a response (slide 12).

#### Summary of discussion

- A TWG member raised the importance of scientific integrity in considerations of data quality. The TWG member expressed their respect for the group's decision to move forward with the calculation

methods principle, but emphasized that the literature does not validate that calculation method differentiates data quality.

- A TWG member asked for more context on concerns about requiring data verification and certification. The Secretariat clarified that these concerns were raised about verification focusing on a lack of errors rather than the quality of the data per se, as well as about the costs and accessibility of external verification.

#### Outcomes (e.g. recommendations, options)

- N/A

### **3. Setting up the discussion**

- The Secretariat introduced the approach for setting calculations methods as the disaggregation principle for the tiers and outlined the discussion points for the meeting (slides 16-21).

#### Summary of discussion

- A TWG member noted that the discussion as outlined tends to focus on intrinsic data quality, which doesn't necessarily address the purpose of the created data. The TWG member urged to include extrinsic data quality considerations into the discussion and how they affect the overall quality of the result.

#### Outcomes (e.g. recommendations, options)

- N/A

### **4. Data specificity**

- The Secretariat presented the topic of data specificity in scope 3 accounting utilizing cradle-to-gate emission factors, and a suggested adjustment to the specificity considerations. The secretariat provided an example of the application and implications for data transfer along the value chain of this proposed change (slides 23-35).

#### Summary of discussion

- The Secretariat asked members to consider the options in an exploratory way, focused on finding a solution that meets the outlined objectives in general, while leaving specific details for future meetings
- A TWG member suggested creating a one pager with the criteria to keep in mind while considering different options.
- A TWG member asked for clarification regarding slide 24, in particular if a calculation would still be classified as supplier specific if it relied on secondary data at one point. The Secretariat explained that in practice, cradle to gate emission factors nearly always rely on secondary data, including factors received from suppliers. The Secretariat clarified that this is the main rationale for reconsidering the hybrid method in the tiered classification: to remove it or to combine it with the supplier specific method.
- A TWG member agreed with the statement that supplier specific data is a mix of specific and average data, however cautioned that there was a reason why the hybrid method was developed in the first place. The Secretariat clarified that the original purpose of the hybrid method was to accommodate preparers who did not receive full LCA data, but who would like to make a step forward from the use of only average data.
- Several TWG members noted that the current terminology leads to confusions in practice.
  - A TWG member noted that they do not routinely consider LCA as a hybrid method.
  - A TWG member noted that in the literature and in practice the term "hybrid method" refers to a combination of different methods, including, for example, a combination of average and spend based methods.
  - A TWG member noted that for many practitioners receiving supplier-specific scope 1 and 2 data is an achievement and acknowledged that some practitioners call the hybrid method

- supplier specific. The TWG member suggested a potential distinction between supplier-specific product-level and supplier-specific activity-level data.
- A TWG member agreed that reporters often misinterpret the standard's terminology, including the terms hybrid and supplier specific. The TWG member added that reporters tend to make overarching claims that not necessarily adequately reflect reality, e.g. making a claim about their use of the hybrid method when in fact only 5% of the inventory is based on the hybrid method and 95% is based on the spend-based method. The TWG member suggested introducing thresholds for the use of claims regarding the methods used in the inventory.
  - Several members expressed their opinion on removing the hybrid method:
    - A TWG member noted that the field has progressed since 2011, and the data availability situation has changed. The member voiced some hesitation regarding removing the hybrid method, and suggested that common ground might be found in updating the terminology for data specificity to match the current data quality context.
    - A TWG member noted that if the distinction is between the supplier-specific, average, and spend based methods, then adding a hybrid method does not make sense to them
  - A TWG member asked for clarification on the combinations of activity type and emission factor data and how it would impact the classification of the resulting output datapoint. The Secretariat provided clarifications. The TWG warned that the approach might result in all calculations being classified as "average" and disincentivize efforts to get to specific data. The Secretariat presented an example of value chain engagement to improve data (slide 33-34), suggesting that this approach would help in distinguishing and rewarding engagement for specific data. The TWG member acknowledged the potential of this idea, but highlighted the complexity of this approach, warning that some preparers might be discouraged by it and give up. Another TWG member agreed that the suggested approach encourages supplier engagement, but might not be practical and feasible for companies. The Secretariat agreed that the approach is more complex compared to the current practice, but highlighted that it may incentivize preparers to apply more scrutiny to the emission factors received from suppliers, as well as potentially be more reflective of data quality than the current approach due to the generally higher certainty in specific combustion, process and fugitive emissions.
  - A TWG member noted that specificity in LCA has additional representativity dimensions. For example, while data might be supplier or activity specific, it might be outdated. Current pedigree matrix in LCA does consider that, and the TWG member suggested that additional dimensions should be taken into account in disaggregated reporting as well.
  - Two TWG members agreed, bringing up an example where corporate data reported in CDP is being allocated based on revenue and called "supplier specific". The TWG members stated that this case would be difficult to classify under the suggested approach. One TWG member noted that this practice should be forbidden. The Secretariat noted that the example given might be subject to the issue of (economic) allocations added to the tiers disaggregation, and suggested focusing the current discussion on the general concept, leaving the specific details for later discussions.
  - Several TWG members noted that in the suggested approach the tier "spend-based" might be misleading as it practically refers to use of EEIO only and suggested to rename the tier to EEIO.
  - Regarding the number of tiers in the proposed disaggregation:
    - A TWG member suggested that considering the emerging applications of AI in carbon accounting, an additional tier might be necessary for accommodate AI calculations.
    - A TWG member stated that while theoretically more tiers create more structure, in practice distinctions that are too detailed may result in more confusion, misinterpretation, and misclassification. The TWG member advocated for a maximum of three tiers, and creating clear instructions and examples.
    - A TWG member supported the rationale of ensuring simplicity in application, suggesting two tiers only: specific data, and all other data. The member also cautioned that such an approach would require the introduction of strict rules for tier 1.
  - Regarding stress-testing the proposed approach:
    - The group discussed several cases of combinations of activity and emission factors data and how each of the situations would be classified under the suggested approach.
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- A TWG member noted the limited range of examples provided, and suggested that the TWG should consider a wider range of examples in order to test the practicalities of diverse combinations of data.
- A TWG member noted that the discussion focuses predominantly on categories 1 and 2, and suggested stress testing the approach on other categories.
- The Secretariat summarized the TWG members' opinions calling for more examples and consideration of other categories, to be prepared for the next meeting. Several TWG members supported this approach.

#### Outcomes (e.g. recommendations, options)

- N/A

### **5. Calculation methods for category 11**

- The Secretariat presented the current calculation methods specified for category 11, and a suggested adjustment of the classification to facilitate the considerations regarding data specificity.

#### Summary of discussion

- A TWG member noted that category 11 is fundamentally different from other categories. For many products preparers do not have specific data at the time of inventory calculation, for example for products that have a prolonged lifetime. While for some products modelling could be done (e.g. electronics), for other products that would not be feasible. Collection of detailed data requires significant effort, with consumer specific data not achievable in some cases. The Secretariat asked if additional tiers to differentiate average data or qualitative disclosures for category 11 calculations would be helpful in resolving the problem. The TWG member replied that it would not, and that a different classification might be needed.
- A TWG member agreed with the previous speaker and highlighted that the suggested approach discourages preparers to improve the quality of their assumptions, scenarios and estimations, if their results would be classified into tier 2 anyway.
- A TWG member stated that the goal of category 11 calculation is the design of more sustainable products and suggested that consumer-specific data would not result in a large lever for action. The TWG member argued that it is important to specify how average data is to be sourced and how scenarios should be developed, rather than trying to encourage consumer-specific activity data collection.
- A TWG member suggested the introduction of scenario analyses.
- The Secretariat raised the point that while in some cases consumer-specific data is technically possible to obtain, it might pose data privacy concerns, and asked if it is reasonable to consider adopting a method that is challenging to comply with legally.
- A TWG member asked how the category-specific considerations in phase 1 of the review process will be coordinated with the category-specific discussions in phase 2 of the TWG's work. The TWG member suggested introducing some level of flexibility in the recommendations, i.e. subject to the phase 2 developments. The Secretariat supported this idea, and briefly explained the scope of work for in the phase 2 category 11 considerations.
- The Secretariat summarized the discussion, highlighting overall support for a change of classification, but need for reconsideration of the specific approach.

#### Outcomes (e.g. recommendations, options)

- N/A

### **6. Next steps**

- The Secretariat asked the TWG members if they agree with the general direction of the considerations.
- The Secretariat presented the next steps (see slide 47).

### Summary of discussion

- A TWG member expressed the opinion that the group is moving in the right direction. The TWG member highlighted the need for a master list of objectives for more efficient and structured considerations going forward, a stress-test of the proposed approach for all scope 3 categories, and potential prioritization of globally more contributing categories in consideration. Another TWG member argued against prioritization of separate categories as the relevance of categories differs across different sectors. The Secretariat suggested preparing a brief based on available CDP data per sector, as reported by CDP respondents, while focusing on the stress test of the approach to all categories.
- A TWG member suggested circling back to the objectives of characterizing data quality, and then encouraging higher quality, and warned against getting lost in the details.

### Outcomes (e.g. recommendations, options)

- N/A

## **Summary of written submissions received prior to meeting**

One submission was received. The following points were raised:

- The TWG member supported the introduction of the tiers supplier-specific, average, spend-based, however highlighted practical difficulties in obtaining supplier-specific data, especially beyond tier 1 value chain partners. The TWG member suggested consideration of best practices for obtaining reasonable data from tier 2 and 3 partners and balancing data availability with data accuracy.
- In response to whether the new proposal satisfies the decision-making-criteria, the TWG member answered "some of them".
- In response whether the TWG is moving the right direction, the TWG member answered "yes".