GREENHOUSE GAS PROTOCOL

Scope 2 Consequential Subgroup

Meeting #3

March 20, 2025

WORLD RESOURCES INSTITUTE

World Business Council for Sustainable Development

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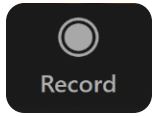
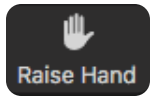
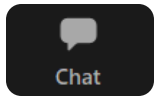


This meeting is recorded.



Please use the Raise Hand function to speak during the call.



You can also use the chat function in the main control.

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

Be mindful of sharing group discussion time; keep comments as succinct as possible.

Agenda

1. Housekeeping & goals for meeting
2. Areas of agreement and divergence
3. Submissions and further discussion
4. Next steps

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Goals of today's meeting

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Housekeeping and goals

- Goals of today's meeting
  - Recap areas of agreement and divergence from meeting #2
  - Review submitted materials from working group members

AMI working group has asked subgroup to consider whether/how recommendations for the electric sector have cross-sector applicability (i.e. scope 3, steel, aviation, etc...).

Areas of agreement and divergence

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What we heard at meeting #2

- Healthy discussion of components of the "routine" and "ad hoc" proposals

- Emerging agreement on a few key areas:
  - Value of marginal emissions assessments
  - Value of both induced and avoided impacts
  - Value of ad-hoc assessments
  - Importance of clear communication and framing of what each side of the "routine" proposal means for companies and users of data

- Two key areas of divergence:
  - Definition and appropriateness of summing all induced emissions
  - Whether to net induced and avoided emissions

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Areas of agreement

- Evaluation of emissions impacts from electricity consumption using marginal factors communicates valuable and distinct information than what is communicated using average emission factors.
- Evaluation of avoided emissions from Additional generation projects is also valuable and distinct from the market-based method approach.
- Assessing both operating (short-run) and build (long-run) marginal impacts is essential in both "routine" and "ad-hoc" proposals.
- Using full scale project accounting to evaluate projects with potential secondary effects (ad-hoc proposal) is valuable.
- Important to be very clear on what each half of the proposal means, especially in relation to inventory numbers.

Areas of divergence: defining and summing of all "induced" emissions

Arguments in favor

- Summing is necessary to communicate scale of potential reduction impact. Reframing of emissions value as "potential avoided emissions".
- The sum of all induced marginal impacts approximates total emissions on the grid.

Arguments against

- Creates a distorted view when summed since not every MWh is on the margin. May be more or less distorted based on the total load in question.
- Unclear what the summed number is supposed to communicate to users of data.

Potential alternative approaches

- Emission impacts are summed at a facility/project level and reported separately.
- Emission impacts are summed at a process level (HVAC, lighting, baseline power) as this better approximates the impact a specific action or policy might have

Areas of divergence: netting of induced and avoided emissions

Arguments in favor

- Creates a single number that can be used to indicate whether a company has taken offsetting responsibility for the emissions they "induce" through electricity consumption.
- Netting is implied by the inclusion of an avoided emissions value and an induced emissions value, external users of GHG reports will net anyway.

Arguments against

- Creates potential for confusion and misinterpretation, especially if a company has reached "zero", or if their avoided emissions are greater than their induced emissions.
- Netting numbers that have been generated from different calculation methodologies (avoided emissions side of the equation requires proof of additionality).
- Netting removes context embedded in the absolute values.

Submissions and further discussion

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Proposal 3: routine assessments, with reduced scope on demand side

- Similar to the routine consequential assessment proposal from round 1, inclusive of emissions impact from both demand and supply side.

- **Divergence from routine proposal**:
  - Emission impacts from demand-side limited to "actions" rather than all MWhs consumed by a reporting organization.
  - Impacts assessed relative to either a base year baseline, or YoY baseline.
  - Calculation methodology should incorporate multiple estimates to represent a range of uncertainty.

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Discussion questions

- What does the induced portion of the "routine" equation (summed induced emissions) mean for a company?
- What does the avoided emissions portion of the "routine" equation mean for a company?
- Is it potentially more consistent to assess demand-side and supply-side actions, rather than all "induced" and "avoided" emissions?
- How would a YoY baseline work?
- How should companies use induced/avoided emissions numbers differently than inventory numbers?
- Should induced and avoided emissions be netted?
- What does it mean if a company reports 0 net emissions?
- Does this approach generalize across sectors?

Next Steps

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Next Steps

- **April 3rd –** final draft of Part 1 deliverable due to GHGP.

- **April 10th meeting**
  - Members should be prepared for a final up/down vote on the Part 1 deliverable.
  - Begin to discuss plan for detailed deliverable (part 2)

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Thank you!

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