

Scope 3 TWG Group A Meeting Minutes

Meeting number 7

Date: 13 March 2025

Time: 10:00 AM – 12:00 PM ET

Location: Virtual

Attendees

Technical Working Group Members

1. Sahil Aggarwal, Greenview
2. Nasser Ayoub, EPD International
3. Alissa Benchimol, Greenhouse Gas Management Institute
4. Zola Berger-Schmitz, Science Based Targets initiative
5. Bin Chen, Fudan University
6. Dario Alessandro De Pinto, BANCA D'ITALIA
7. Talita Esturba, WayCarbon
8. Susanne Vedel Hjuler, Independent
9. Ulf von Kalckreuth, Deutsche Bundesbank
10. Wenjuan Liu, RMI
11. Christoph Meinrenken, Columbia University
12. Elliot Muller, CIRAIG, Polytechnique Montréal
13. Verena Radulovic, Center for Climate and Energy Solutions (C2ES)
14. Julie Sinistore, WSP
15. Sangwon Suh, Watershed
16. Carl Vadenbo,ecoinvent association
17. Cecilia Valeri, WBCSD

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 A.1 Inventory Quality
2. Scope 3 – Group A – Meeting#7 – Presentation
3. Discussion Paper A.2 Allocations

Summary

| Item | Topic and Summary | Outcomes |
|------|---|---|
| 1 | <i>Attendance and Housekeeping</i> The Secretariat presented the housekeeping rules and updated meeting schedule, allowing for full TWG meetings in May. | N/A |
| 2 | <i>Recap of the previous discussion</i> The Secretariat presented a summary of previous discussions and outcomes. | N/A |
| 3 | <i>Option Development: disaggregated reporting based on calculation methods - continued</i> The Secretariat presented the continued approach for developing the disaggregated reporting tiers, including the creation of TWG member taskforces. The Secretariat outlined the results from TWG member polling on the options, the overall preferred option, and decision-making criteria analysis. | Option 4 will be further developed through a dedicated taskforce. |
| 4 | <i>Add-ons: Uncertainty Assessment</i> The Secretariat presented a series of options for adding uncertainty assessment, including making it optional, required, or required for a subset of reporters, and quantitative or qualitative uncertainty assessment. Indicative voting was held. | The group did not reach consensus on a preferred option. A follow up survey will be sent. |
| 5 | <i>Allocation</i> Postponed to the next meeting. | N/A |
| 6 | <i>Next steps</i> The Secretariat presented the next steps. | The Secretariat will circulate a survey on uncertainty assessment. The member taskforces on glossary, development of Option 4 of disaggregated reporting, and uncertainty analysis will kickoff. |

Discussion and outcomes

1. Attendance, Housekeeping and Changes in the timeline

- The Secretariat presented the housekeeping rules as well as the updated meeting schedule, which accommodates full group TWG meetings in May (see slides 4 - 10).

Summary of discussion

- A TWG member asked the Secretariat to clarify the recent inquiry on potential access to TWG meeting recordings. The Secretariat clarified that to be a potential way of bringing new members of the governance bodies up to speed on the discussions held.

- A TWG member asked if it will be possible to do asynchronous voting in case a member is not able to attend the new full TWG meetings scheduled for May. The Secretariat responded that asynchronous quorum contribution will be possible.
- A TWG member asked if there is a decision on shifting the alternated meeting time of group A to one hour earlier, to accommodate participants from Europe. The Secretariat responded that there is no outcome yet on this matter.

Outcomes (e.g. recommendations, options)

- N/A

2. Recap of the previous discussion

- The Secretariat presented a summary of previous discussions and main outcomes from meetings #2- (slides 11-14).

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

3. Option Development: disaggregated reporting based on calculation methods - continued

- The Secretariat presented the continued approach for developing the tiers for disaggregated reporting (see slides 15-25).
- The Secretariat outlined the results from TWG member polling on the options, the overall preferred option, and decision-making criteria analysis.

Summary of discussion

- A TWG member asked if the Secretariat could clarify the timelines of the taskforce. The Secretariat stated that the work would commence as soon as possible, and finish by the May 15th meeting of Subgroup A.
- A TWG member asked about the cadence and workload of the taskforce. The Secretariat references the monthly commitment of 10-14h references in the Terms of Reference, and gave an estimate of about 7-8h a month for participating in the taskforce.

Outcomes (e.g. recommendations, options)

- The Secretariat called for members to volunteer for the taskforces until Monday, March 17th.

4. Add-ons: uncertainty assessment

- The Secretariat presented a series of options for adding uncertainty assessment, including making it optional, required, required for a subset of reporters, or required for a subset of activities, and quantitative or qualitative uncertainty assessment (see slides 26 – 50).

Summary of discussion

Option 1: Optional uncertainty assessment

- N/a

Option 2: Required uncertainty assessment with a default option

- A TWG member asked how the 95% confidence interval would be determined. The Secretariat suggested the 2GSD indication.
- A TWG member commented that categorically determining the confidence interval for each calculation method is not possible, as it depends on a variety of factors including but not limited to

the system boundaries, the rigor of analysis and how well the particular category is represented. The member stressed that setting a categorical definition would be very challenging. The Secretariat agreed, stating that if this option were to be selected the TWG would need to provide additional guidance, and asked members to consider the additional workload of creating such guidance, especially in light of the overall timeline for the revision. The Secretariat stated that all options that mandate uncertainty assessment would entail the creation of additional guidance.

- A TWG member agreed with the previous speaker; they agreed with the rationale behind the option in principle but stressed that real-world application of this option is not feasible. The member warned that this option might encourage ill-practice and misinformation. The member proposed applying qualitative assessment with indication of “really uncertain”, “quite uncertain”, “quite certain” and describing what each one means. The Secretariat agreed with the member’s concern about feasibility, reminding members of the goal to include uncertainty as an add-on, to not increase the complexity of reporting too far.

Option 3: required uncertainty assessment for selective emissions sources

- A TWG member stated that the IPCC global warming potential values are accompanied by +/- values, i.e. that they are accompanied with uncertainty, and that this is the baseline uncertainty that is carried through all carbon accounting. Understanding this inherent uncertainty reduces the amount of effort needed to conduct carbon accounting, explaining that many organizations expend a lot of effort chasing down 2% of their emissions in e.g. office supplies, when in reality this does not matter as a reduction of these 2% would not change the overall footprint given the uncertainty involved in all other parts of the organization. The member argued that the notion that uncertainty analysis increases effort needs to be re-examined and stressed their opinion that uncertainty analysis in fact focuses effort on the important contributors. The member explained that uncertainty is not just about large contributors but also about variability, and that it is sensible to take into account both magnitude and variability when determining where to focus decarbonization efforts. The member supports prioritization of efforts and advocated for focusing on major contributors with taking into account their variability.
 - The Secretariat asked if uncertainty analysis of the whole inventory is required in order to assess variability of emissions per category and asked the member if that approach was their suggestion. The member replied that separate guidance for this issue could be developed by a smaller taskforce, and that the burden could be put on data providers instead of the practitioners. The member stated that data providers need to develop a harmonized approach for the quantification of uncertainty. The Secretariat commented that even if secondary data or supplier provided data included uncertainty assessment, reporters would still need to do their own re-assessment, i.e. expend significant effort. The member replied that if the developed approach included variability, reasonable prioritization of items to further investigate in terms of uncertainty would be possible.
- A TWG member stated that making quantitative uncertainty assessment required is not practical for many organizations. The member additionally commented that the decision-making criterion of scientific integrity is not fulfilled in the two options that propose calculating emissions by category first, then ranking the categories by magnitude, and then requiring uncertainty analysis only for the biggest sources. Responding to the point, the previous member stated that companies cannot know what their major contributors are without knowing the uncertainty involved.
- A TWG member agreed with the previous speaker, emphasizing the other decision-making criteria. Making the approach as scientifically robust as possible might not lead to driving action where it matters the most, as it might inadvertently detract resources from investment into decision-making in decarbonization efforts. The member understands the benefits of uncertainty analysis but is cautious about the resources needed. Regarding technology, the member warned that it is not advanced enough to make uncertainty calculation easy for all organizations. As such, it is important to not be overly reliant on technology and keep the overall objective of carbon accounting in mind.
- The Secretariat asked if the market is ready to adopt uncertainty analysis given regulatory pressure and large-scale investment into solutions and solution providers, and that smaller players would not be affected if it remains optional. Maintaining optionality now could be a steppingstone towards required uncertainty analysis in the future. A TWG member replied that the calculations needed to conduct uncertainty analysis are not technically difficult. Stating that a given category is the biggest

contributor implies that there is low uncertainty, thus reporters are communicating on uncertainty implicitly, without doing the actual analysis. The member emphasized that this is where resources are wasted, by focusing on not meaningful, non-actionable details as there is no uncertainty analysis to shape overall decision-making.

- The Secretariat invited the members to consider feasibility of solutions not only from technical perspective, and think of the human capital and preparers behind the laptop that has to execute the analysis. A TWG member agreed with the Secretariat's point, stating that the limitation is not necessarily computing power but the staff needed to perform the calculations. The member stated that it would be helpful to have a clear understanding of what uncertainty analysis would entail step by step.
- A TWG member commented that it would be helpful to know how many companies are engaging in uncertainty analysis at the moment, and how many respondents were calling for uncertainty analysis in the GHG Protocol stakeholder survey.
- A TWG member stated that the reason why uncertainty analysis requires so much effort is that it increases the inputs to carbon accounting, e.g. if a reporter has 500 inputs, putting an error bar around each input effectively doubles the number of inputs. The member stressed that this requires expertise, time, and software to carry out, and stated concern about requiring reporters to have access to specific software in order to carry out the analysis.
- A TWG member replied that the reason uncertainty analysis is not widely reported at the moment is that it is not required. In their professional practice, they carry out a lot of uncertainty analysis for clients, who are interested in the major drivers of uncertainty. The member understands the previous speaker's concern on increasing the data requirement, but argued that current computational power is sufficient without the need for specialized software. It is possible to conduct uncertainty analysis without specialized technology.
- A TWG member asked the Secretariat to clarify if the Scope 3 Standard will require uncertainty analysis, would the GHG Protocol enforce it? As GHG Protocol is not a mandatory reporting framework.
 - The Secretariat clarified that the GHG Protocol does not enforce or certify. If a reporter wants to state that they comply with the GHG Protocol, then the reporter needs to meet the GHG Protocol's requirements. There are also frameworks that refer to GHG Protocol without requiring compliance with it. Additionally, the Corporate Standard TWG is currently considering requiring Scope 3, with potential differentiation by sector or reporter size (SMEs).
 - A representative from the Corporate Standard Secretariat team provided additional detail, stating that Subgroup 3 of the Corporate Standard TWG is considering requiring scope 3 reporting and differentiating reporting by reporter type. The preliminary recommendation is to require scope 3 accounting, defined as all significant emissions and further defined with a (preliminary) 5% exclusion threshold. The TWG is also recommending differentiating scope 3 reporting for specific reporters, tentatively available for small companies except for small companies from high-emitting sectors. A preliminary recommendation on how to define the differentiated scope 3 reporting requirement is under development.

Option 4: Required uncertainty assessment for selected companies

- A TWG member voiced their concern that specifying confidence intervals is highly impractical, and asked if there are other suggestions for describing uncertainty.
- A TWG member stated that in their professional experience, it is very rare for a client to be interested in uncertainty analysis. Another TWG member commented that in their experience, clients are very interested in credibility, reliability, and robustness of results, all of which equal uncertainty. Another TWG member however highlighted that clients fundamentally do not understand methodological concepts such as confidence intervals. A TWG member added that clients are not interested because they are not asked for uncertainty information

Option 5: Required qualitative uncertainty assessment

- N/a

Options Discussion

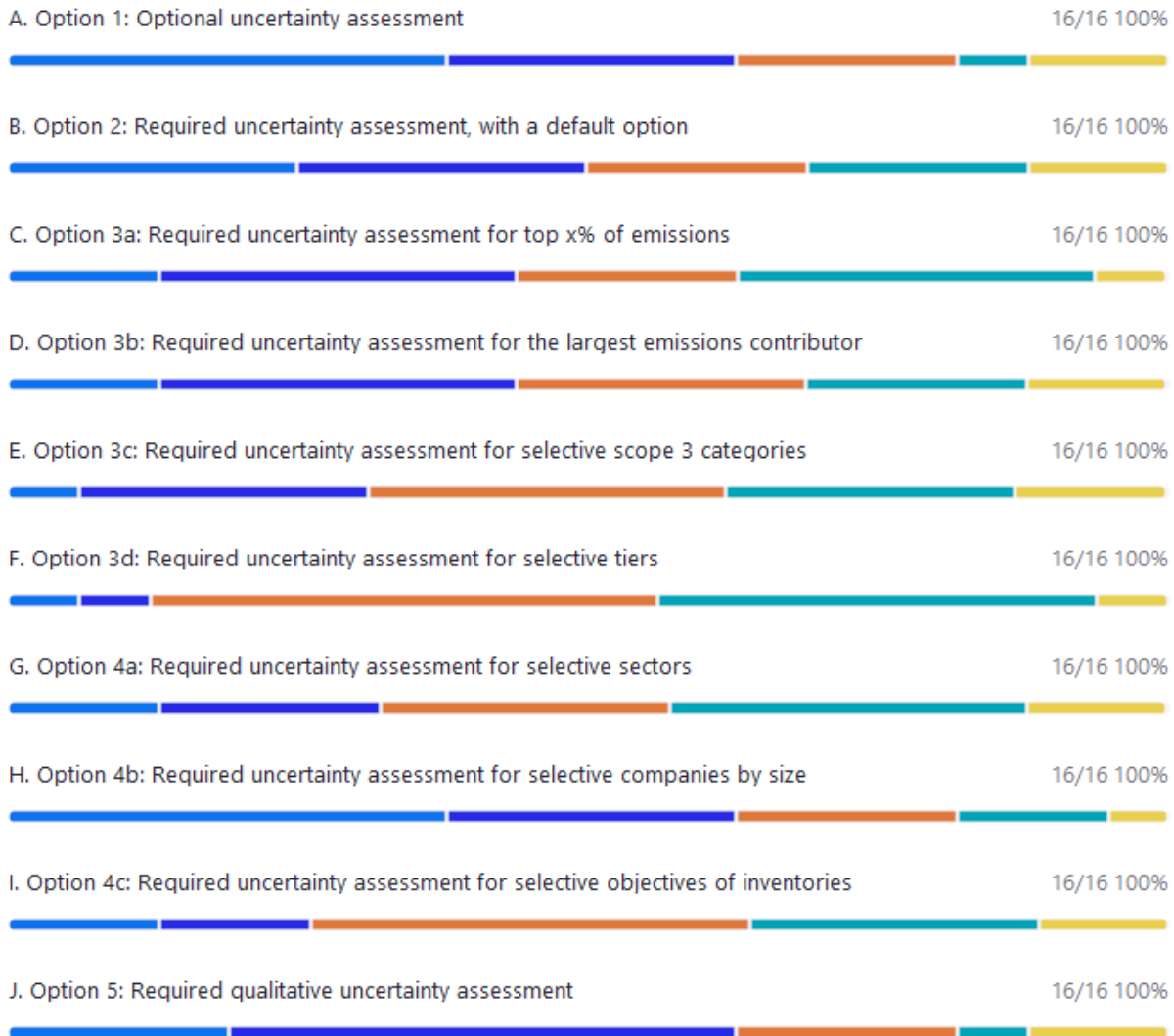
- A TWG member stated their support for optional quantitative uncertainty analysis, giving reporters the option to earn a distinction with a “+” on their tier 1 data by providing a standard deviation. The member asked the group if such a designation, i.e. optional, with a “+” would provide enough incentive for the market, if reporters would be incentivized to look advanced and start reporting error bars for their data. Or whether only making it required would lead to uptake of uncertainty analysis.
- A TWG member replied that apart from a small group, most companies will not perform uncertainty analysis if it remains optional. Making uncertainty analysis more visible, such as flagging it with a “+” would be helpful, for those companies that want to be seen as visionaries.
- A TWG member asked where there is fit for purpose, and if uncertainty of data year to year would become more important. Regarding materiality, uncertainty is important for the inventory. The member questioned if emissions and their uncertainty matter, if they are difficult to act upon or are less material. The member stated that if uncertainty remains optional, companies will not do it unless they are required by regulation, such as in California or through the CSRD. If companies need to be more accurate for a reason, then they will engage in uncertainty analysis. The member provided an example of a company looking to attract investment into decarbonization efforts. If interventions need to be justified to management, then uncertainty matters.
- A TWG member suggested a pragmatic approach of requiring uncertainty, with default fallback options for companies of a certain size, and perhaps adding a “+” for companies who perform it voluntarily.
- A TWG member added that it is important to design the GHG Protocol in a policy-agnostic, decision-useful manner.
- A representative from the Corporate Standard TWG commented that their TWG is considering a differentiated reporting pathway for small companies, including less stringent data requirements, contingent on what is decided in this TWG.
- The Secretariat asked TWG members for their opinion on option 5, and whether that might present a more practical path forward.
- A TWG member commented that currently, companies state that their inventory is aligned with the minimum boundaries of the GHG Protocol, and asked members to consider the change in claim, if companies were to state that their data quality is aligned with the GHG Protocol.
- A TWG member commented that even optional uncertainty analysis could be considered a win, as that would represent progress. The member emphasized that the update should not result in less stringent requirements for any preparer, and voiced his support for leniency for SMEs, but keeping overall leniency in check in order to maintain the credibility of carbon accounting. The member voiced support for the suggestion of requiring uncertainty but implementing fallback options, such as done in the CBAM in the EU, which has fallback values that are intentionally overstated, so that companies are incentivized to improve their numbers to pay less. The member stressed that this approach drives decarbonization action and that unless uncertainty is required, most companies will not engage in it. Today there is no incentive to improve their footprint, and the fallback options would present a practical approach to addressing this.
- A TWG member voiced support for the previous speaker, seconding that SMEs cannot be required to perform uncertainty analysis, but that it is not too much to ask from big companies with resources. The member is in support of focusing on large companies that are large emitters, also stating that large companies who rely on investors also have reasons to publish higher quality data. The member suggested utilizing the criteria from the EU’s CBAM to define the threshold for small companies, in line with feasibility, scientific integrity, and actionability. The member voiced support for Option 4b.
- A TWG member asked what the overall goal of the discussion was, and that scenario assessment would help in making companies more conscious, if that was the goal. The member re-iterated that confidence intervals or standard deviations are not feasible.
- The Secretariat stated that quantitative uncertainty assessment would be a new skill that preparers need to develop, and that the GHG Protocol would need to develop guidance for it.

Outcomes (e.g. recommendations, options)

The Secretariat conducted indicative polling on the following questions:

- “Rank your support for each of the options”

- Light blue: Strongly Support
- Dark blue: Support
- Orange: Neutral
- Turquoise: Oppose
- Yellow: Strongly Oppose



- “Rank your support for each of the options” (choose 1)
 - Option 1: Optional uncertainty assessment – 33% (5/15)
 - Option 2: Required uncertainty assessment, with a default option – 13% (2/15)
 - Option 3a: Required uncertainty assessment for top X% of emissions – 0% (0/15)
 - Option 3b: Required uncertainty assessment for largest emissions contributor – 7% (1/15)
 - Option 3c: Required uncertainty assessment for selective scope 3 categories – 0% (0/15)
 - Option 3d: Required uncertainty assessment for selective tiers – 0% (0/15)
 - Option 4a: Required uncertainty assessment for selective sectors – 7% (1/15)
 - Option 4b: Required uncertainty assessment for selective companies by size – 20% (3/15)
 - Option 4c: Required uncertainty assessment for selective objectives of inventories – 0% (0/15)
 - Option 5: Required qualitative uncertainty assessment – 7% (1/15)

- Option 6: Required with default fallback options (Option 2) for companies of a certain size (Option 4b) – 13% (2/15)
- A TWG member commented that it was hard to vote, as e.g. distinguishing by company size has many different possible outcomes
- A TWG member commented that the abundance of options results in thinly spread outcomes, which are not actionable

5. Allocation

- The topic of allocation was deferred to the next meeting due to time constraints (slides 51 – 65).

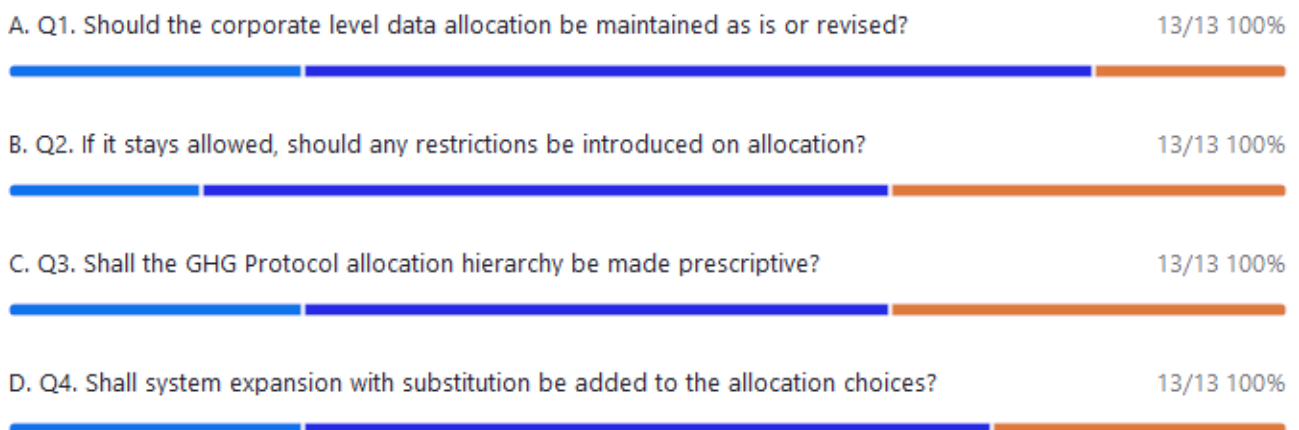
Summary of discussion

- n/a

Outcomes (e.g. recommendations, options)

The Secretariat conducted indicative polling on the following question:

- “Which of the questions could be considered asynchronously?”
 - Light blue: Ok to consider asynchronously
 - Dark blue: Ok, but prefer to discuss
 - Orange: Necessary to discuss



6. Next steps

- The Secretariat presented the next steps (see slide 66-68).

Summary of discussion

- A TWG member asked for more clarification regarding the taskforces.
 - The Secretariat outlined the three taskforces as such:
 - Glossary: refinement of the terminology of the standard with regard to data quality
 - Disaggregated approach: finalization of Option 4, including stress testing the approach for the different categories, creation of guidance including streamlined rules and text suggestions.
 - Uncertainty Analysis: development of the preferred approach of the Group, to be determined through the post-meeting survey
 - The timeline for the taskforces is from March 17th – end of April, to present results in the May 15th meeting of Subgroup A.

Outcomes (e.g. recommendations, options)

- The Secretariat will follow up with an asynchronous poll on uncertainty analysis, to identify the group's preferred option.
- The Secretariat will organize the kick-off the taskforces, TWG members are asked to volunteer until Monday, March 17th.

Summary of written submissions received prior to the meeting

The following reflects one TWG member's written submission:

- Regarding uncertainty assessment, a hybrid approach incorporating elements of Option 2 and Option 4b could be beneficial. Requiring all preparers to calculate uncertainty would be a positive step towards enhancing the quality of Scope 3 inventories. However, small and medium-sized enterprises (SMEs), as well as public sector organizations may lack the resources to fully implement these additional uncertainty requirements. In such cases, the default option provides a reasonable alternative, while still allowing preparers the flexibility to conduct their own uncertainty analysis if they choose to do so.
- A more stringent approach could be required for larger companies. However, the definition of 'large' can be somewhat arbitrary, so it would be prudent to establish clear criteria for this distinction. The TWG member suggested that a framework similar to existing legislation could be implemented to identify those subject to more rigorous uncertainty assessments for their Scope 3 inventories.
- The member does not support Option 4c, as inventories are typically reported at the parent company level, which may encompass multiple sectors. This introduces an added layer of complexity and could discourage companies from engaging in reporting altogether.