

Scope 3 TWG Group A Meeting Minutes

Meeting number 8

Date: 04 April 2025

Time: 09:00 AM – 11:00 AM 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. Verena Ehrler, IESEG School of Management
8. Talita Esturba, WayCarbon
9. Rene Garrido, Universidad de Santiago de Chile
10. Susanne Vedel Hjuler, Independent
11. Micheal King, Cisco Systems, Inc.
12. Ulf von Kalckreuth, Deutsche Bundesbank
13. Wenjuan Liu, RMI
14. Paola Martinez, Independent
15. Christoph Meinrenken, Columbia University
16. Elliot Muller, CIRAIG, Polytechnique Montréal
17. Verena Radulovic, Center for Climate and Energy Solutions (C2ES)
18. Julie Sinistore, WSP
19. Sangwon Suh, Watershed
20. Francesca Testa, CDP
21. Carl Vadenbo,ecoinvent association

Guests

N/A

GHG Protocol Secretariat

1. Natalia Chebaeva
2. Claire Hegemann
3. Adrienne Gilbride
4. Allison Leach
5. David Rich

Documents referenced

1. Scope 3 – Group A – Meeting#8 – Presentation

2. 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, including outcomes from a survey on the uncertainty analysis add-on. A member raised issues with the scientific validity of the results due to phrasing of the questions.	The Secretariat will circulate an improved survey on the uncertainty analysis add-on.
3	<i>Corporate level data allocation</i> The Secretariat presented the options for corporate level data allocation, asking if corporate level data allocation should be maintained as is or revised, and if so what restrictions should be introduced.	Indicative polling was held.
4	<i>Multifunctional process allocation</i> The Secretariat presented the options for multifunctional process allocation, asking if the GHG Protocol allocation hierarchy should be made prescriptive, and if system expansion with substitution should be added to the allocation choices.	Indicative polling was held.
5	<i>Next steps</i> The Secretariat presented the next steps.	The Secretariat will conduct a follow-up survey on allocations.

Discussion and outcomes

1. Attendance and Housekeeping

- The Secretariat presented the housekeeping rules and the decision-making criteria (see slides 3-7).

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 main outcomes from meetings #2-7, including an update to the meeting schedule to allow for full TWG group meetings in May (slides 8-13).

Summary of discussion

- A TWG member voiced concern regarding the scientific validity of the results from the latest survey on the uncertainty analysis add-on, stating that some of the questions were of a leading character.

- The group discussed the issue, the Secretariat concluded that the survey on the uncertainty assessment add-on will be run again, with improved question design.

Outcomes (e.g. recommendations, options)

- The Secretariat will circulate an improved survey on the uncertainty analysis add-on.

3. Allocation: background

- The Secretariat presented relevant background information to setup the discussion on allocation, including current guidance in the Scope 3 Standard, stakeholder feedback, and the questions in the scope of work (see slides 14-24).

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- N/A

4. Corporate level data allocation

- The Secretariat presented the options for corporate level data allocation, posing two main questions for the members to discuss (see slides 25 – 34).
 - Q1. Should corporate level data allocation be maintained as is or revised?
 - Q2. If it stays allowed, what restrictions should be introduced on allocation?

Summary of discussion

- A TWG member stated that in many instances it would be difficult to get data at the level where allocation is unnecessary, thus forbidding corporate level data allocation may impede completeness.
- A TWG member asked if changes to allocations would mean necessary updates to the quantification guidance for every single category, citing the example of allocating category 5 emissions, where currently scope 1, scope 2, and scope 3 category 4 need to be included.
 - The Secretariat stated that slide 28 is just a mockup of what guidance could look like, and that yes more guidance would need to be developed. For the particular issue the member raised, scope 1 and 2 are the minimum boundary, and transport of waste is an optional category.
 - The member replied that more guidance is needed, and that there is a lot of confusion of whether to include scope 3 in a lot of categories, citing the example of hotel franchises, whether just scope 1 and scope 2 or also scope 3 of the franchise hotels need to be included.
 - The Secretariat replied that subgroup B has been tackling the topic of optionality of activities and minimum boundaries.
- A TWG member asked if the options provided for Question 2 are mutually exclusive.
 - The Secretariat confirmed that they are not mutually exclusive.
 - The member asked why the decision-making criteria slide indicates limited interoperability with LCA for all options.
 - The Secretariat stated that there is a lot of interest in connecting the different activities in sustainability departments, such as corporate foot printing and product foot printing, requiring alignment between different frameworks.
- A TWG member stated that EEIO emission factors are based on allocation of sectoral level data, which is of even higher level than corporate level data, however are still considered for use. The member said that these should be thought about in the same way. The Secretariat confirmed that there is connection. The Secretariat highlighted that calculations based on EEIO are considered being disaggregated from other calculations into a separate tier, resolving this issue. From that perspective, one of the options for corporate level data allocation would be classifying it as of lower quality and separating from other specific data.

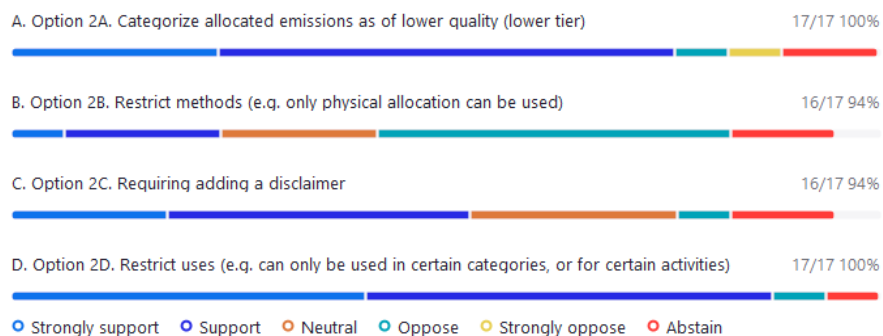
- A TWG member stated that the only way of making complex supply chain inventory more accurate is engaging for more supplier data. The guidance can't prohibit or phase out allocation, as this would not have the effect of encouraging primary data.
- The Secretariat asked if the member had a preference amongst the options. The member indicated potential support for option 1C in combination with 2a, 2b, and 2d (see slide 34). A TWG member stated that the first imperative is understanding the goal, which is to encourage specific data and encourage firms to go the extra mile in acquiring that data. Company level allocation can be bad, citing that group level emissions data allocation from a group with a services, manufacturing, and financial arms is essentially meaningless, whereas EEIO is at least derived from the same product category. The group could define criteria for when company level allocation can be used, making clear that this is discouraged and not necessarily of higher quality than EEIO data. The member also suggested defining a pathway for getting specific data, with company allocation as a fallback option that is qualified in a lower tier. Allocation should not be prohibited entirely because it may be necessary in some cases, but it should be prohibited for multisectoral international groups.
- A TWG member expressed support for option 2D, stating that restrictions could be introduced for certain activities, citing the rules in CBAM methodology. Criteria could be identified regarding what to include and what to exclude from the data, suggesting a mix of option 2D with option 2B.
- A TWG member commented that this discussion cannot be held without considering the design of scope 3 overall and its boundaries setting, citing e.g. the challenge of time lag and preparers utilizing data from different years. Secondly, the member is in favor of encouraging product specific information and companies developing their own product level accounting, in order to practice allocation and increase information availability for value chain partners.
- A TWG member stressed the need to address bigger picture issues, rather than creating a lot of new rules that address niche cases. The member identified two main problems from the practitioners' perspective, the first being company level allocation for companies producing very heterogeneous products, and secondly downstream emissions wrongly being allocated onto products to report in scope 3 category 1. The member said that additional requirements or restricting allocation would not necessarily fix these. Product level accounting is necessary, which requires more capacity building and better practices.
 - The Secretariat summed up the member's stance as a preference for option 1C, with restricting use to homogeneous suppliers and providing guidance such as the mockup on slide 28, which the member confirmed.
- A TWG member voiced support for the idea of adding a disclaimer for allocated data, especially for homogeneous companies. Economic allocation could be allowed for example only if there is a deviation of more than 20% of value.
- A TWG member agreed with previous speakers that it is not possible to phase out corporate level allocation and agreed with applying restrictions, for example with a tiered method that speaks to the stage of the business. The member stated that it would be beneficial to encourage more product level data, and stated that the biggest problem in this context are downstream emissions from complex products by multinational companies. An idea could be to have separate rules for companies based on homogeneity and their position in the supply chain.
- A TWG member stated their support for option 1C with adding a disclaimer. Allocation is mostly used by producers of intermediate products, e.g. auto parts manufacturers. For downstream categories, economic allocation yields less accurate results than physical allocation. Thus, the disclaimer and focusing on physical allocation is important.
 - The Secretariat summarized the member's statement as a preference for options 2B and 2C.
- A TWG member voiced their support for option 1C, and stated that global corporations are still struggling with scope 3 reporting. The member asked whether the discussion concerns allocation done by the supplier or by the customer.
 - The Secretariat replied that both is considered here.
- A TWG member agreed with a previous speaker, stating that allocation is oftentimes the only way to get data. The member voiced support for option 1C, adding a disclaimer.
- A TWG member stated that a key challenge for product-level data resolved by the allocation is services, such as legal or accounting fees. This is where economic allocation is important. The member suggested not completely restricting economic allocation but to give examples of where it can be applied, to flesh this out further in the *Scope 3 Guidance*.

- A TWG member suggested advising preparers on the ways to aggregate the inventory data for allocation in representing cradle-to-gate emissions, to meet the challenge on using the right data.
- A TWG member agreed with a previous speaker on the distinction between homogeneous and heterogeneous activities and improving the guidance on that, and that data that is too convoluted does not reflect well in allocation.
- A TWG member stated that homogeneity, quantitative importance, and emissions intensity are the three most important factors to consider in this discussion.
- A TWG member stated that for companies with heterogeneous products, the *Scope 3 Standard* should be clear in requiring product level accounting, and that explicit and clear guidance needs to be added that scope 3 category 1 should not include downstream emissions.
- A TWG member stated their preference for a combination of options 2A and 2D.

Outcomes (e.g. recommendations, options)

The Secretariat conducted indicative polling on the following questions:

- “Should corporate level data allocation be maintained as is or revised?”
 - Option 1A. Maintain current guidance – 0% (0/18)
 - Option 1B. Prohibit and phase out – 6% (1/18)
 - Option 1C. Maintain but restrict – 94% (17/18)
 - Other – 0% (0/18)
 - Abstain – 0% (0/18)
- “If it stays allowed, should any restrictions be introduced on allocation?:”
 - Option 2A. Categorize allocated emissions as of lower “tier” in the disaggregation – 17% (3/18)
 - Option 2B. Restrict methods (e.g. only physical allocation can be used) – 6% (1/18)
 - Option 2C. Requiring adding a disclaimer – 22% (4/18)
 - Option 2D. Restrict uses (e.g. can only be used in certain categories, or for certain activities) – 33% (6/18)
 - Other – 22% (4/18)
 - Abstain – 0% (0/18)
- “If it stays allowed, should any restrictions be introduced on allocation? Indicate your support for each of the options.”



- “If you prefer a combination – please tick the combination you prefer”
 - Option 2D only: 13% (2/16)
 - Options 2A and 2D: 31% (5/16)
 - Options 2B and 2D: 6% (1/16)
 - Options 2C and 2D: 13% (2/16)
 - Options 2A, 2B, and 2C: 6% (1/16)
 - Options 2A, 2B and 2D: 6% (1/16)
 - Options 2A, 2C, and 2D: 13% (2/16)
 - Options 2B, 2C, and 2D: 6% (1/16)
 - Abstain – 6% (1/16)

- “Which uses restriction do you support? (single choice)”
Please note: abstention votes are treated separately in terms of the percentage aggregations.
 - Restricted only to certain categories or activities – 40% (6/15)
 - Restricted to use only in cases of ‘homogeneous’ activities of the corporate (value chain partner) – 47% (7/15)
 - Other – 13% (2/15)
 - Abstain – 17% (3/18)
- “Which uses restriction do you support? (multiple choice to indicate potential combinations)”
Please note: abstention votes are treated separately in terms of the percentage aggregations.
 - Restricted only to certain categories or activities – 7% (1/15)
 - Restricted to use only in cases of ‘homogeneous’ activities of the corporate (value chain partner) – 27% (4/15)
 - Both – 47% (7/15)
 - Abstain – 20% (3/15)

5. Multifunctional process allocation

- The Secretariat presented the options for multifunctional process allocation, focusing on two key questions (see slides 35-43):
 - Q3. Shall the GHG Protocol allocation hierarchy be made prescriptive?
 - Q4. Shall system expansion with substitution be added to the allocation choices?

Based on the polling in the previous meeting, the Secretariat suggested to resolve these issues asynchronously as the TWG members indicated they would be comfortable with that approach.

Summary of discussion

- A TWG member stated that the first two options on slide 39 are not feasible in practice, citing an example of mining gold, where tailing accounts for the lion share of the physical outcome, and with physical allocation most emissions would be allocated to the tailing, which is not logical. The member stated that for some activities economic allocation is unavoidable, and that the key options to consider are options 3 and 4 on the slide.
- A TWG member asked how relevant Q4 is in practice, asking whether GHG Protocol should include this issue in order to be aligned with LCA practices, or if this is a niche case. The Secretariat clarified that this is rarely used in corporate carbon accounting, however there is widespread use in secondary LCA-based data.
- A TWG member stated that the choice of substitution system determines the outcome of allocation by system expansion, and that the recommended practice is choosing a substitution system that is on the margin. The surrounding issue is the conflict between the corporate standard and the product standard, and whether this revision includes revising corporate standard principles on emission credits. The member referred to SBTi’s more relaxed stance on credits, which is in line with the system expansion approach, and stated that alignment with SBTi is important to consider here.
- A TWG member asked if the group should be defining substitution processes, e.g. offsetting, insetting etc.
 - The Secretariat clarified that this is within the scope of work of the AMI Workstream.

Outcomes (e.g. recommendations, options)

The Secretariat conducted indicative polling on the following question:

- “Shall the GHG Protocol allocation hierarchy be made prescriptive? Multiple choice”
Please note: abstention votes are treated separately in terms of the percentage aggregations.
 - Option 3A. Maintain current guidance – 33% (5/15)
 - Option 3B. Assign prescriptive choices – 60% (9/15)
 - Option 3C. Outsource (leave) to sectoral standards – 33% (5/15)
 - Other – 0% (0/15)
 - Abstain – 21% (4/19)

- “Which options for prescriptiveness do you support? Single choice”
Please note: abstention votes are treated separately in terms of the percentage aggregations.
 - Partitioning shall be based only on physical characteristics – 0% (0/14)
 - Partitioning shall be based only on economic value – 0% (0/14)
 - Both physical and economic partitioning can and should exist, a rule shall be created – 43% (6/14)
 - Both physical and economic partitioning can and should exist, choices shall be prescribed per category – 57% (8/14)
 - Other – 0% (0/14)
 - Abstain – 26% (5/19)
- “Shall system expansion with substitution be added to the allocation choices? Single choice”
Please note: abstention votes are treated separately in terms of the percentage aggregations.
 - Option 4A. Maintain current guidance – 9% (1/11)
 - Option 4B. Allow – 27% (3/11)
 - Option 4C. Explicitly prohibit – 27% (3/11)
 - Option 4D. Explicitly prohibit, including in the sourced emission factors – 27% (3/11)
 - Other – 9% (1/11)
 - Abstain – 21% (3/14)

6. Next steps

- The Secretariat presented the next steps (see slide 44-46).

Summary of discussion

- N/A

Outcomes (e.g. recommendations, options)

- The Secretariat will distribute the meeting minutes.
- The Secretariat will improve the uncertainty assessment add-on survey and distribute a new version.
- The Secretariat will follow up with an asynchronous poll on allocations.

Summary of written submissions received prior to the meeting

N/A