

Scope 3 TWG Group C Meeting Minutes

Meeting 7

Date: March 27, 2025

Time: 09:00 – 11:00 AM ET

Location: Virtual

Attendees

Technical Working Group Members

1. Elijah Innes-Wimsatt, Conservation International
2. Alexandre Kelemen, Mangué Tech
3. Megan Kennedy, General Motors
4. Shannon McIlhone, Partnership for Carbon Accounting Financials (PCAF)
5. Nadia Montoto, KPMG
6. Hetal Patel, Phoenix Group
7. Colin Powell, PwC
8. James Salo, S&P Global Sustainable1
9. Fabiola Isabel Schneider, University College Dublin
10. Howard Shih, Science Based Targets Initiative
11. Alan Sean Somerville, University of Stirling
12. Arundhati Srinivasan, Maersk
13. Enric Tarrats, Banc Sabadell

Guests

N/A

GHG Protocol Secretariat

1. Hande Baybar
2. Natalia Chebaeva
3. Alexander Frantzen
4. Claire Hegemann

Documents referenced

1. Discussion Paper C.1 - Investments - Version 2.0
2. Scope 3 - Group C - Meeting C.7 - Presentation – 20250327 (“Presentation”)

Summary

Item	Topic and Summary	Outcomes
1	Housekeeping and decision-making criteria The Secretariat presented the meeting agenda, housekeeping rules, and decision-making criteria.	N/A
2	Scope of work and recap of previous issues The Secretariat presented a summary of meetings C.1-C.6, focusing on Issues 4a. Classification and optionality, 4b. Disaggregated reporting, 5a. Proportionality, 5b. Relevant scope 3 emissions of investees or projects, and 5c. relevant projects and sector-specific requirements. The Secretariat updated members on the TWG meeting schedule until the end of August, including upcoming full group meetings in May.	N/A
3	Facilitated emissions The Secretariat presented the outcomes of discussions in the Scope 3 TWG subgroup B on facilitated emissions and related polling results, for the awareness of members in this discussion.	N/A
4	Tentative three table classification The Secretariat reviewed the proposed activity classification into financed emissions, facilitated emissions, and insurance-related emissions, as discussed in earlier meetings of this subgroup. The Secretariat presented draft language and draft calculation guidance for items in the three tables and facilitated a discussion on the items.	No indicative polls were conducted.
5	Relevant projects and lifetime emissions The Secretariat presented the status of the issue including previous poll results and facilitated a discussion on criteria for this item.	No indicative polls were conducted.
6	Time planning and next steps The next meeting will be held on April 17 th , at 6:00 – 8:00 AM ET.	The Secretariat will distribute draft language for chapter 15 of the <i>Scope 3 Standard</i> for the TWG members' review and circulate an accompanying feedback form,

Discussion and outcomes

1. Housekeeping and decision-making criteria

- Refer to Presentation slides 2-8
- The Secretariat presented the meeting agenda, housekeeping rules and decision-making criteria.

Discussion

- N/A

Outcomes

- N/A

2. Scope of work and recap of previous issues

- Refer to Presentation slides 9-15.
- The Secretariat informed members about the TWG meeting schedule until the end of August, namely full group meetings in June and a break from meetings in August. These changes do not affect the overall timeline of deliverables or the scope of work.
- The Secretariat presented the status of previous issues:
 - Summary of meetings C.1 – C.6
 - Review of Issues 4a. Classification and optionality, 4b. Disaggregated reporting, 5a. Proportionality, 5b. Relevant scope 3 emissions of investees or projects, and 5c. relevant projects and sector-specific requirements.

Discussion

- N/A

Outcomes

- N/A

3. Facilitated Emissions

- Refer to Presentation slides 16-21.
- The Secretariat presented the outcomes of discussions in the Scope 3 TWG subgroup B on facilitated emissions and related polling results, for the awareness of members in this discussion.

Discussion

- N/A

Outcomes

- N/A

4. Tentative three table classification

- Refer to Presentation slides 22-42.
- The Secretariat reviewed the proposed activity classification into financed emissions, facilitated emissions, and insurance-related emissions, as discussed in earlier meetings of this subgroup.
- The Secretariat presented draft language and draft calculation guidance for items in the three tables, for the members' review.

Discussion

- The Secretariat presented draft language on financed emissions and asked for member feedback. The Secretariat stated that the aim is to distinguish ownership and capital put at risk, which results in a different risk profile than if a company uses their own money.
- A TWG member replied that they are unsure of the downstream implications and application to other cases but agree with slide 24 in isolation.
- Three other TWG members affirmed their support.
- No TWG member raised opposing views.
- The Secretariat presented slide 25 and 26 on advised investments and client services, clarifying that the words accounting and reporting are used interchangeably in this context.
- Two TWG members voiced their support for advisors accounting for 100% of the emissions of investments.

- A TWG member voiced their support for accounting for 100%, as any other value would be an arbitrary number, based on some artificial construct.
- A TWG member agreed with the previous speaker.
- A TWG member shared the analogy of a 3-person bank robbery, where each individual bank robber is charged for the entirety of the theft, and not for a third of it – saying that the same logic applies here.
- A TWG member stated that the PCAF secretariat has been in favor of 100%, while the working group pushed for the 33% weighting attribution currently in the PCAF guidance. To ensure consistency in facilitated emissions reporting, PCAF introduced a 33% weighting for all capital market issuances in scope for this Facilitated Emissions Standard. This represents a conservative option as it equals the highest weighted relative importance of underwriting activities versus balance sheet exposure according to the Basel Committee on Banking Supervision's Basel Framework over the past 11 years since the G-SIB assessment reports began in 2012. Such, PCAF stipulates 'shall' language for reporting 33% and 'may' language for reporting an unweighted 100%. This is the result of facilitators favoring the 33% factor, as they do not believe that facilitated emissions and financed emissions can be interpreted as 1:1 in terms of responsibility.
 - The Secretariat asked if the goal there was to weigh facilitated emissions as equal to financed emissions? Do facilitated emissions need to have equal weight to financed emissions, esp. if acknowledging that influence and control is different between the two. Is it possible to write a single rule that encapsulates this?
 - The Secretariat further stated that every actor in the value chain has different degrees of influence and control, so this is a very ephemeral criterion. On the potential efficiency of separate reporting, if a separate category or separate line item for facilitated vs financed emissions would be established, would that clarify the situation and help people interpret the emissions correctly?
 - A TWG member replied that they are not sure it would, as PCAF already requires a separate line item. The PCAF working group does not believe a 1:1 comparison between facilitated and financed emission makes sense, it would be hard to standardize and have equal levels of influence.
- The Secretariat presented slides 27-30, on underwriting, issuance and derivatives.
- The Secretariat asked the group if any member believes that derivatives should not be treated as facilitated emissions. No TWG member spoke up.
- A TWG member asked why emissions from an investment are recorded in the year of financing rather than in the year the investment comes to life, citing the example of an upfront investment with a delayed delivery. The member referenced an inconsistency with Category 2 capital goods, where accounting happens when the company takes possession of the asset. The member is concerned about accounting before the investment comes to life, as accounting would be based on an estimate
 - The Secretariat replied that different underwriting cases had been considered, e.g. an oil & gas project vs an IPO. With an IPO, the money would be used for various activities whereas with an oil & gas project, the money would be used for a specific purpose. The Secretariat asked if there should be a delineation between the underwriting of projects versus companies, and how language could be drafted that differentiates underwriting of an IPO where deployment of funds is unknown, vs underwriting of a project where use of funds is known. The Secretariat also reminded members that these are facilitated emissions, which may not behave like 'traditional' emissions.
- The Secretariat reminded members that at minimum, the revision will disaggregate category 15 into financed emissions, facilitated emissions, and insurance-related emissions. The Secretariat asked members if it should anticipate that people will aggregate scope 3 inventories for target setting, and thus if it would make sense to further disaggregate into line items or into columns? Some users say that columns are difficult for target setting or evaluating year on year changes, but line items bring the risk of users aggregating the data when they shouldn't.
- A TWG member commented that generally, emissions are accounted for at the time they take place, not when the contract happens. From that perspective, there is a disconnect between financial recognition and operational recognition of emissions, and no matter which approach is chosen, it should be consistent and not dependent on the type of facilitator.

- The Secretariat replied that the spend-based method is on an accrual basis, meaning that it is time agnostic to an extent.
- The TWG member replied that this is why the question of when to recognize an event is important when moving to primary data, to prevent disconnect. Given that the overall goal is to move away from spend towards primary data, consistency is important.
- The Secretariat gave the example of a construction project, which an actor underwrites in year 0, and construction takes place over 3 years. Should investors and underwriters account for the emissions the year they occurred in years 1, 2, 3?
- The TWG member answered that ideally yes, but in practice monitoring year on year is hard.
- The Secretariat reminded TWG members that if the GHG Protocol cannot provide calculation guidance, then these requirements would be a 'may' or 'should'.
- A TWG member asked if the group is saying to require reporting of scope 3 of investee in category 15, but report it separately from scopes 1 and 2 of investee?
- The Secretariat confirmed that this is the direction of the group.
- The member said that bringing in scope 3 brings in a lot of uncertainty.
- The Secretariat asked whether to include scope 3, stating that the language on slide 29 was chosen because there was consensus that scope 3 should be required when discussing minimum boundaries of investees. The Secretariat asked members to reflect on this decision keeping in mind the decision-making criteria.
- A TWG member highlighted that implementation is also important, that in calculating scope 3 many preparers will lean towards just calculating scopes 1 and 2, in order to not take decisions on a number that is not robust.
- The Secretariat asked if that is a reason to move this issue out of category 15 and into a new category 16 in order to more unambiguously separate it from financed emissions? Previously, members had stated that category 15 should only include financed emissions.
- The Secretariat presented slide 30, on calculation of derivatives.
- A TWG member shared that given the difficulty in linking derivatives back to financing economy in action, it is not in the near-term horizon to create a calculation method. The member suggested that this could be a 'may' in the *Scope 3 Standard*.
- The Secretariat agreed on the difficulty of creating a calculation method and stated that developing a calculation method for derivatives might not be a good use of time for this revision, given the complexity. 'May' language will likely be maintained that a preparer may include derivatives emissions and if so account for all of them, for the sake of consistency with other facilitated items.
- A TWG member commented on the time period over which the facilitation is captured per PCAF Part B: "Using this approach, the association with the capital market transaction shall be accounted for in the year the facilitation occurs, using the reported or estimated annual emissions of the issuer in that year. All the transactions during the year are then aggregated over that one year to calculate the total facilitated emissions. This annual period is selected to be in line with other parts of the PCAF Standard. PCAF acknowledges that there may be a time lag in data availability given that emissions data will typically be available 12-15 months after the calendar year-end.
- The Secretariat presented slides 32 and 33, on compensation payments and donations.
- A TWG member commented that in the vast majority of cases, it is very unclear what happens with the money that is donated to an organization, especially for non-project specific donations. It is unclear if organizations would have that information.
- The Secretariat asked if as a result, it is too difficult to calculate donations?
- The TWG member replied that it is not too difficult, suggesting for the preparer to not try to figure out where each \$ of the donation went, but rather look at the total donation and use the scope 1, 2, and 3 emissions of the non-profit that received the donation. The member is unsure of how this relates to facilitated emissions, as it is unrealistic to know where the money is actually spent. This is not a reason to remove donations, and the member stated their support for this activity. The member highlighted that often a money transfer can be structured as a payment for services or as a donation, and it is important to limit optionality in terms of reporting the ensuing emissions.
- The Secretariat presented slide 33, calculation for compensation payments.
- A TWG member asked how this is different from other investment options.

- The Secretariat stated that in many cases for scope 3, lack of data is not a reason to not require emissions, but this is the case for investments, and the same logic could be applied to donations. The Secretariat asked the group how to stipulate requirements that are both visionary and realistic.
- A TWG member stated that if there is no consistent measurement approach that can be applied to make information comparable, then a potential new calculation approach could be misused. The member commented on the balance the group needs to strike between completeness and comparability.
- The Secretariat agreed, stating that even if information is comparable, it might not actually reflect the reality of the underlying activity.
- A TWG member stated that from the impact perspective, they are very interested in including compensation payments. And that in this case, it is about greening investments and not about employing less people. Buying less is different to employing less people from a sustainability perspective.
- A TWG member agreed saying that the main issue here is the investment made in the market.
- The Secretariat stated that at minimum the Standard would have emission factors for common pension fund investments which are available to employees and then aggregate this for the employees.
- A TWG member commented that direct compensation payments don't show up anywhere in the footprint, creating an interesting circumstance where employees investing themselves does not show up in the carbon accounting of the employer, but investing for their employees does. For example, over time preparers could establish relationships with FIs to point their employees towards for their investments.
- The Secretariat stated that whatever the *Scope 3 Standard* says, it would not change how much employers pay their employees, as underlying competitive economics remain unchanged. Following that rationale, why not include salary as well as compensation payments – because employers have some control over the compensation payments?
- A TWG member asked if that distinction is also about the time horizon, as pension plans are long term, versus salaries are mostly spent in the short term.
- A TWG member stated that the main differences are influence and ability to track use of funds.
- The Secretariat added the issue of data privacy.
- A TWG member commented on control, that the preparer controls what options employees have for their pensions.
- The Secretariat asked whether members want to use 'shall' language for this item.
- A TWG member replied that they want it to remain optional.
- A TWG member stated that salary acts like cash, and that the group had already decided to exclude cash deposits and thus is against including salary. The member is in favor of including compensation payments.
- The Secretariat cited the polling results from meeting C.6 regarding cash deposits, which were not conclusive.
 - "Should reporting scope 3 emissions from cash deposits be mandatory based on the decision-making criteria?"
 - Yes (all FIs and non-FIs) – 25% (2/8)
 - Yes (only FIs) – 12.5% (1/8)
 - No (neither FIs nor non-FIs) – 37.5% (3/8)
 - Abstain – 25% (2/8)
- A TWG member stated their interest in analyzing cash deposits in more detail against the key criteria as it has a big potential area for influence by large cash-holding companies.
- The Secretariat presented slide 35, on insurance-related emissions. The Secretariat suggested that TWG members form breakout groups to tackle calculation methods outside of the TWG meetings, in order to develop calculation guidance for facilitated and insurance related emissions.
- The Secretariat presented slide 36 on guarantees.
- The Secretariat presented slide 37 on insurance-associated emissions.
- A TWG member commented that insurance-associated emissions is a 'shall' in accordance with PCAF Part C. Part C was created following advocacy from the insurance sector, who wanted it to be required.

- The Secretariat proposed 'shall' for all financed emissions, 'shall' for all insurance-related emissions' and 'should' or 'may' for facilitated emissions. The Secretariat caveated that this might still be complicated because every insurance contract has two parties, and the insured party may not feel that they need to account for their insurance-related emissions. The Secretariat asked members how language could be drafted to make insurance-related emissions required for insurers and optional for other organizations.
- A TWG member asked that the difference between insurance-related and insurance-associated emissions is. The member also stated that from the impact perspective, it is important to look at the insurance premium.
- The Secretariat specified that this is captured in the use of claims payments, and is the easiest item in insurance-related emissions.
- A TWG member stated that the claims side is topical in PCAF at the moment, and that a group of insurers will look at how to include this item. The member is in favor of making direct payments a 'shall', as there is leverage for ambitious change.
- A TWG member agreed with the previous speaker.
- The Secretariat presented slide 40, on other insurance contracts, asking the members if this item should be removed given that it is vague.
- A TWG member agreed that the item is quite vague.
- The Secretariat stated that this item might not belong in the facilitated emissions, as it hasn't happened yet and may never happen. Perhaps the right direction is to only itemize contracts that are known and can be identified. This could lead to pushback though because in order to future proof the standard, a historic tactic has been that if a preparer can identify emissions that are not in the existing minimum boundary or categories, they are welcome to report them. This rule could be stated once in the standard, and everything else be made explicit.
- The Secretariat presented slide 38, on insurance premium payments, and asked members if this item should be removed from insurance-related emissions.
- A TWG member commented that this is the insured party perspective and feels more like a purchased goods and services item than an investment.
- The Secretariat asked how the item would be calculated, if it were in category 1.
- The TWG member replied that it could be calculated with the same method as any category 1 item, for any sectors where insurance payments are material.
- A TWG member agreed with the previous speaker, asking why this item should be in investments.
- The Secretariat replied that the thesis was that an insurance fund would have no investments to make without the premium payments from the insured parties.
- A TWG member commented that this is only relevant if there is a sector where insurance payments are material, stating that they are unaware of any such sector right now.
- The Secretariat stated that they are also unaware of such a sector right now. The idea behind listing these items is that as of now, the *Scope 3 Standard* just lists insurance contracts, which is very ambiguous, and this presents an attempt of listing out the different insurance contracts that exist. Does reporting this support aggressive climate action, and is it aligned with disclosure frameworks?
- A TWG member commented that inability to insure is a reason that industries may cease to exist, looking at oil & gas insurance.
- The Secretariat asked if an insurer uses funds to invest in stranded oil & gas assets it runs the risk of defaulting, the insured party should track the insurer's investments – does that present a rationale for keeping this item?
- A TWG member commented that the item is important for certain sectors and business models, and stated that they would like to work on minimizing opt-out areas, similarly to cash deposits.

Outcomes

- No indicative polling was held.
- The Secretariat will provide a follow-up survey.

5. TPM with discretionary control reporting requirement

- Refer to Presentation slides 42-44.

Discussion

- The Secretariat skipped this topic, noting that it has already been discussed at length.

Outcomes

- N/A

6. Calculation discussion

- Refer to Presentation slides 45-49.

Discussion

- This topic was skipped due to time constraints.

Outcomes

- N/A

7. Relevant projects and lifetime emissions

- Refer to Presentation slides 50-52.

Discussion

- The Secretariat presented slides 51 and 52, on relevant project scope 3 emissions. The Secretariat asked what other criteria should be stipulated that require companies to report emissions related to projects. One idea is to write an explicit rule that any investment into oil & gas projects shall be reported, with optionality for other types of projects.
- A TWG member agreed with the oil & gas requirement, citing that in SBTi there is also a specific target for oil & gas.
- A TWG member stated their support for a requirement for depletable resources in general.
- The Secretariat asked if there is consistent language that could be used for industrial projects in general, i.e. the plastics or fertilizer industries, or whether members prefer focusing exclusively on oil & gas.

Outcomes

- The Secretariat will provide a follow-up survey.

8. Time planning and next steps

- Refer to Presentation slides 53-56.
- The next meeting will take place on April 17th, at the alternated meeting time of 6:00 – 8:00 AM ET.

Discussion

- N/A

Outcomes

- The Secretariat will distribute the minutes and feedback form, accompanied by draft language for the standard.

Summary of written submissions received prior to meeting

N/A