

# Actions and Market Instruments Meeting Minutes

Meeting number 1.06

Date: 23 April 2025

Time: 09:00 – 11:00 ET

Location: "Virtual" via Zoom

## Attendees

### Technical Working Group Members

1. Ana Isabel Aubad Lopez, Atmosphere Alternative
2. István Bart, Environmental Defense Fund
3. Anastasia Behr, UL Solutions
4. Giulia Camparsi, Science Based Targets initiative
5. Kim Carnahan, Center for Green Market Activation
6. Andres Casallas, World Business Council for Sustainable Development
7. Jonathan Crook, Carbon Market Watch
8. Cynthia Cummis, Deloitte & Touche
9. Gilles Dufrasne, European Commission
10. Nermin Eltouny, Integral Consult
11. Autumn Fox, Mars
12. Michael Gillenwater, Greenhouse Gas Management Institute
13. Tim Hamers, ERGaR - European Renewable Gas Registry
14. Grant Ivison-lane, CIBO Technologies
15. Yaning Jin, SinoCarbon Innovation and Investment Co., Ltd.
16. Injy Johnstone, University of Oxford
17. Timothy Juliani, WWF US
18. Joni Jupesta, IPB University, Indonesia
19. Hiromi Kawamata, The Japan Iron and Steel Federation
20. John Kazer, Carbon Trust
21. Aditya Mishra, Proforest
22. Hans Näsman, CDP
23. Inken Ohlsen, AP Moller Maersk
24. Thuy Phung, PepsiCo
25. Jason Pierce, Eastman
26. Patric Puetz, Smart Freight Centre
27. Steven Rosenzweig, General Mills
28. Andrew Rudy, BHP
29. William Tyndall, AJW Inc.
30. Emma van de Ven, Rabobank

### Guests

1. None

### GHG Protocol Secretariat

1. Lauren Barretto
2. Nisalyna Bontiff
3. Alejandra Bosch
4. Elliot Engelman
5. Kevin Kurkul
6. Michael Macrae
7. David Rich
8. Michaela Wagar

## Documents referenced

1. Science Based Targets Initiative (SBTi) Corporate Net-Zero Standard Version 2.0 – Initial Consultation Draft with Narrative

Item	Topic and Summary	Outcomes
1	<b><i>Housekeeping</i></b> The Secretariat presented the agenda and key housekeeping items were highlighted, including rules and expectations around the sharing of information, Zoom meeting logistics, guidelines, procedures, and shared values.	No specific outcomes.
2	<b><i>Update: SBTi</i></b> A member presented an update on the SBTi Corporate Net Zero Standard (CNZS) v2.0 Initial Consultation Draft, with a particular focus on the potential areas of alignment with the AMI scope of work.	No specific outcomes.
3	<b><i>Update: Scope 2</i></b> The Secretariat presented on the current status of the ongoing Scope 2 Guidance development process, with a particular focus on consequential accounting subgroup.	No specific outcomes.
4	<b><i>Proposals and Discussion</i></b> The Secretariat facilitated further discussion of the updated proposals through analysis of areas of convergence and divergence and through discussion of key questions.	No specific outcomes.
5	<b><i>Next steps</i></b> Time was made available at the end of the meeting to field remaining questions from TWG members. A recap of the next steps was provided to conclude the meeting.	<ul style="list-style-type: none"> <li>• The Secretariat will share a feedback form for working group members.</li> <li>• The Secretariat will share additional materials in advance of the next working group call.</li> </ul>

## Summary of discussion and outcomes

### 1. Housekeeping

- The Secretariat presented the agenda and key housekeeping items were highlighted, including rules and expectations around the sharing of information, Zoom meeting logistics, guidelines, procedures, and shared values.

#### Summary of discussion

- No points of discussion were raised by working group members.

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

- No specific outcomes.

### 2. Update: SBTi

- A member presented an update on the SBTi Corporate Net Zero Standard (CNZS) v2.0 Initial Consultation Draft, with a particular focus on the potential areas of alignment with the AMI scope of work.

#### Summary of discussion

- A member requested clarity on whether indirect mitigation as proposed in the update would include market-based emissions factors but not impact from consequential accounting.
  - The presenter responded that this still needs to be defined.
- A member requested clarity on whether mass balance could be used to substantiate direct mitigation in line with a physical inventory.
  - The presenter responded that this will be explored as part of the expert working group process but that in the current draft some types of mass balance would be included in direct mitigation and some types would be included in indirect mitigation, depending on the level of traceability.
  - A member requested further clarity on what is meant by traceability in this context.
    - The presenter confirmed that it is referring to traceability to the physical emissions source.
- Some members requested clarity on why certificates are not considered for scope 1.
  - The presenter responded that SBTi currently looks at certificates for scopes 2 and 3, the inclusion of scope 1 was not considered, but will follow up with a more details after the meeting.
  - Some TWG members suggested that certificates would be relevance in the context of scope 1 for certain markets or commodities such as RNG, SAF, or shipping.
  - A member suggested that the connection between scope 1 and scope 3 reporting for different entities in a value chain makes it important to consider certificates in the scope 1 context.
- A member requested clarity on the terminology used within the CNZS v2 regarding boundaries around the difference between direct and indirect mitigation.
  - The presenter responded that the distinction is still being defined within the expert working groups but added that a working idea is to use chain of custody models as a way to define these concepts.
- Some members requested clarity on how the AMI workstream can maintain alignment with the SBTi considering the different timelines for outputs.
  - The Secretariat responded that the AMI team is also following up with SBTi, so AMI-related questions to SBTi can be forwarded and the team will aggregate them to coordinate responses on these themes which could impact the decision making within the workstream.

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

- No specific outcomes.

### **3. Update: Scope 2**

- The Secretariat presented on the current status of the ongoing Scope 2 Guidance development process, with a particular focus on the consequential accounting subgroup.

#### Summary of discussion

- Members asked for clarity about aspects of the guidance under consideration.
  - Some members requested clarity on whether and how the scope 2 working groups anticipate the definition of the 'market' in the quality criteria could change.
  - Some members requested clarity on whether there would be grandfathering for companies that have invested in long-term purchase price allocations (PPAs) based on the current reporting standard.
  - The Secretariat responded that these topics are still under consideration by the Scope 2 TWG.
- Members asked for clarity related to the initial outputs from the scope 2 consequential accounting subgroup.
  - A member suggested that the consequential guidance would be very cumbersome for a company buying renewable energy in numerous locations, requesting further clarity on whether the assessment would be optional.
  - A member requested further clarity on how the consequential approach being proposed in this subgroup is applicable from a cross-sectoral perspective.

- The Secretariat responded that this is currently being discussed as they have asked proposal submitters to provide examples of applicability to other sectors.
- o A member requested clarity on additionality criteria that that will be used to determine the eligibility of the power sector and whether there is a difference between the scope 2 market-based method and the two consequential proposals.
- o A member requested further clarity on how they are developing criteria for virtual PPAs.
- o A member mentioned that in the UK, electricity pricing is based on the marginal kWh, and suggested that there is a downside for encouraging renewable energy because the cost price per kWh is probably lower.
- o Some members suggested that gas is typically dispatched after coal and nuclear so marginal emission factors would be lower in many places.
- o A member suggested that there may be higher emissions if using marginal gas as opposed to renewable energy, depending on how an average might otherwise have worked out.
- o Some members noted the possible difficulties with incentivizing behavior based on marginal electricity emissions, highlighting the example of electricity pricing in the United Kingdom.

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

- No specific outcomes

#### **4. Proposals and Discussion**

- The Secretariat facilitated further discussion of the updated proposals through analysis of areas of convergence and divergence and through discussion of key questions.

#### Summary of discussion

- A member suggested that the identified areas of divergence can be further synthesized and combined.
- Members discussed what claims may be enabled by potential new reporting elements.
  - o A member suggested that the statements would allow for incentivizing mitigation relevant to a company's value chain; supporting indirect mitigation in the short term with an intent to move toward direct mitigation over time.
  - o A member suggested that the three statements are needed because when making a claim it is necessary to clarify the role and systematic change being generated.
  - o Some members responded that the statements are needed to demonstrate decarbonization efforts and accelerate transition in hard-to-abate sectors where immediate physical mitigation is not yet possible to incentivize stakeholder and suppliers to take decarbonization actions and see these efforts reflected in their inventories, target setting and target achievement.
  - o A member responded that from the agricultural sector perspective it can be difficult to determine what is in and what is beyond value chain given traceability constraints and shifting year-to-year sourcing.
    - A member responded that from the agriculture perspective, it is crucial to pursue landscape actions that create systemic change that is beyond any company's value chain.
  - o A member suggested that the statements are needed to allow financiers to contribute to mitigation outcomes that they finance but are not physically connected to.
  - o A member suggested that the statements purpose is to establish accountability for companies to enable and recognize the true impacts of mitigation actions when those actions have effects that are not reflected in the physical inventory.
  - o A member suggested that existing metrics within GHG reporting do not always reflect or enable company action, and that the statements could facilitate more clarity on the mitigation actions taken by companies.
  - o A member suggested that facilitating corporate decision-making should be a focus for the framework being developed.
  - o Some members requested clarity on the definitions of within and beyond value chain and clarification on the boundaries of the physical and market-based/contractual inventories.

- The Secretariat responded that definitions are critical to these conversations and the next step is to revisit or develop new terms and definitions to present to the TWG.
- A member mentioned that the ISO 14060 working group has tried to define the term Beyond Inventory Mitigation (BIM) in place of BVCM.
- A member suggested that if there is a physical association, these emissions could be reported under the scope 3 physical inventory.
- A member suggested that lack of clarity mostly surrounds the mass balance model as there can be some physical traceability but the allocation approaches may not be suitable for the scope 3 physical inventory.
- Some members suggested that there are challenges especially when considering multi-site mass balance.
- A member suggested that while some companies make use of book and claim internally, it is not physical accounting and should be excluded from the physical scope 3 inventory.
- A member suggested that from a business perspective, the exclusion of mitigation actions due to the use of book and claim could result in lost decarbonization incentives.
- o Some members proposed that the Secretariat draft a list of objectives the AMI standard will help companies to achieve so that the TWG members can provide feedback.
  - The Secretariat noted that they will review and determine the most useful manner to consolidate all the feedback received.
- Members discussed how emission reductions are or could be communicated within an emissions report.
  - o A member responded that to determine the desired outcome, it should be considered whether it is accounting for the company as a whole or accounting for a particular intervention or action.
  - o A member requested further clarity on whether the goal is to determine if an entity has taken the appropriate amount of mitigation actions, highlighting the connection between the question and the use case(s) of each statement.
    - A member suggested that it is outside of the purview of GHGP to determine what is sufficient but rather to outline what has been done.
    - A member responded in agreement that the TWG needs to define the metrics that others/programs will make judgments from.
  - o Some members responded that statement 2 is not a reduction but rather a representation of choice to support low-carbon technology.
    - The Secretariat requested clarity on the main distinction between a contractual statement and an impact statement, under this view.
    - A member responded that a key difference between the two is closer 'matching'.
    - The Secretariat requested further clarity on whether 'matching' is synonymous with traceability.
    - A member suggested that matching is different from traceability because it is more about matching a specific good, service or product to a specific product, from a supplier perspective.
    - Some members responded in agreement and added that a contractual statement is related to year-over-year emission reductions and in-year emission reductions relative to a physical inventory, whereas an impact statement is related to in-year emission reductions related to another baseline.
    - A member suggested an example of companies that employ internal mass balance accounting to motivate low carbon technology, but noted the difficulty in reflecting those actions for other companies within that same value chain.
    - A member mentioned that the SBTi approach has a five year target cycle, allowing for reassessment of emission reductions on a five year timeframe where the baseline is established by emissions at the start of the target cycle.
  - Members discussed pros and cons of reporting claims using different quantification methods or accounting approaches.
    - o Some members suggested that the TWG should be open to a hierarchy of options for accounting and reporting to allow for flexibility in response to broad set of circumstances and mitigation options faced by reporters, especially regarding scope 3.

- A member suggested that the primary aim is to communicate the impact of actions, but a main consideration is how to effectively communicate the allocation of emissions relative to an inventory.
- Some members suggested that while different accounting methods tell a different story, it could also be possible to allow multiple methods and let the claim reflect the accounting method.
- A member suggested the TWG be more flexible when considering the difference between mass balance and book and claim, highlighting that limiting claims to physical relevance could result in lost incentive downstream.
  - A member suggested that the group should focus on a disaggregated accounting and reporting approach to maintain flexibility, but noted a potential obstacle in addressing the connection to claims made.
- The Secretariat requested suggestions on the fundamental information associated with an instrument claim that is not represented in the physical inventory.
  - A member suggested that market-based emissions can be low due to exogenous circumstances and not attributed to a given corporate action, citing the land sector and agricultural yields as a common example.
  - A member suggested that an instrument should convey the emissions intensity including additionality and other metadata.
  - A member responded that it can be used to communicate the actions taken to compensate for emissions reflected in the physical inventory: for example, a specific quantity of a specific good or service has been compensated with an instrument purchase.
    - The Secretariat requested further clarity on whether the intended goal is to make attributional claims with residual emission factors.
    - A member suggested that the concept of deliverability approach taken in scope 2 does not apply to other sectors and, therefore, is not relevant to AMI particularly because of traceability challenges or other barriers.
  - The Secretariat requested further information from the group on whether members were referring to consequential or project accounting in the context of an impact statement.
    - Some members suggested that it may be helpful to clarify definitions of related terms so that the group can have a common understanding.

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

- No specific outcomes.

### **5. Next steps**

- The Secretariat highlighted the April 25<sup>th</sup> deadline for topic submissions from TWG members for the open discussion meeting.
- The next open discussion meeting was scheduled for April 30<sup>th</sup> at 9 am ET.
- The next TWG meeting was scheduled for Wednesday, May 21<sup>st</sup> at 9 am ET.

#### Summary of discussion

- A member expressed interest in learning more about the approach that scope 2 consequential subgroup is taking.
  - The Secretariat responded that they will follow up with written materials.

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

- The Secretariat will share a topic submission form with working group members.
- The Secretariat will share an agenda for the open discussion call on 28<sup>th</sup> April.
- The Secretariat will share additional materials in advance of the next working group call.

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

### **1. N/A**