

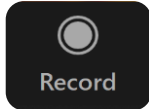
Scope 3 Technical Working Group Meeting

Working draft, do not cite

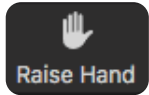
Group B
Meeting 9
Phase 1 revisions consideration

May 1st, 2025

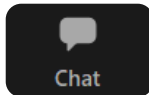
Welcome and Meeting information



This meeting is recorded.



Please mute yourself by default and unmute when speaking
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.

Agenda

- Housekeeping (5 min)
- Updates to the timeline (5 min)
- Draft chapter 6 revision (50 min)
- Draft category 16 (50 min)
- Next steps (5 min)

(Draft; for discussion)

(Draft; for discussion)

Housekeeping and decision-making criteria

Housekeeping

- TWG members should **not disclose any confidential information** of their employers, related to products, contracts, strategy, financials, compliance, etc.
- In TWG meetings, **Chatham House Rule** applies:
 - “When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.”
- **Compliance and integrity** are key to maintaining the credibility of the GHG Protocol
 - Specifically, all participants need to follow the **conflict-of-interest policy**
 - **Anti-trust rules** have to be followed; please avoid any discussion of competitively sensitive topics*

* Such as pricing, discounts, resale, price maintenance or costs; bid strategies including bid rigging; group boycotts; allocation of customers or markets; output decisions; and future capacity additions or reductions

Decision-Making Criteria

- Evaluating options: Describe pros and cons of each option relative to each criterion. Qualitatively assess the degree to which an option is aligned with each criterion through a green (most aligned), yellow (mixed alignment), orange (least aligned) ranking system. Some criteria may be not applicable for a given topic; if so, mark N/A.
- Comparing options: The aim is to advance approaches that ideally meet all decision criteria (i.e. maximize pros and minimize cons against all criteria). If options present tradeoffs between criteria, the hierarchy should be generally followed, such that, for example, scientific integrity is not compromised at the expense of other criteria, while aiming to find solutions that meet all criteria.

<i>Illustrative example</i>	Option A: Name	Option B: Name	Option C: Name
1A. Scientific integrity	• Pros • Cons	• Pros • Cons	• Pros • Cons
1B. GHG accounting and reporting principles	• Pros • Cons	• Pros • Cons	• Pros • Cons
2A. Support decision making that drives ambitious global climate action	• Pros • Cons	• Pros • Cons	• Pros • Cons
2B. Support programs based on GHG Protocol and uses of GHG data	• Pros • Cons	• Pros • Cons	• Pros • Cons
3. Feasibility to implement	• Pros • Cons	• Pros • Cons	• Pros • Cons

(Draft; for discussion)

Updates to the timeline

Updates to the timeline

Finished:

Meeting #	Date	Topic
F1	17 Oct 2024	Kick-off – Full Group
1	31 Oct 2024	Kick-off
2	21 Nov 2024	Relevance and significance (Q1, Q2, Q3)
3	12 Dec 2024	Significance and de minimis (Q3, Q6)
4	16 Jan 2025	Influence and Downstream emissions from intermediate products (Q4 & Q5)
5	6 Feb 2025	Optionality and hotspot analysis
6	27 Feb 2025	Intermediary parties
7	20 Mar 2025	Intermediary parties

- 3 Full Group Meetings in May
- Breaks in June and August
- No changes were made to the scope of work or the publicly communicated timelines

Upcoming:

Meeting #	Date	Topic
8	10 Apr 2025	Intermediary parties
9	1 May 2025	Phase 1 Group B revisions review
F2	22 May 2025	Outcomes and recommendations – Full Group
F3	29 May 2025	Outcomes and recommendations – Full Group
F4	5 June 2025	Outcomes and recommendations – Full Group
June Break		
10	3 Jul 2025	Target setting updates and Base year recalculation & decision pathway (formerly considered May 1, 2025). Category and other performance metrics (original SoW)
11	24 Jul 2025	Disclosure requirements for scope 3 performance communication
August Break		
1	28 Aug 2025	Start of Phase 2

Meetings by topic

Meeting code	Date	Topic(s) (Discussion Paper B1 Question(s))
B.1	31 Oct 2024	Kick-off
B.2	21 Nov 2024	Relevance and significance (Q1, Q2, Q3)
B.3	12 Dec 2024	Significance and de minimis (Q3, Q6)
B.4	16 Jan 2025	Influence and Downstream emissions from intermediate products (Q4 & Q5)
B.5	6 Feb 2025	Optionality and hotspot analysis (Q7, Q8)
B.6	27 Feb 2025	Intermediary parties
B.7	20 Mar 2025	Intermediary parties (continued)
B.8	10 Apr 2025	Intermediary parties (continued)
B.9	1 May 2025	Phase 1 Group B revisions review
B.10	3 Jul 2025**	TBD. Tentative: Category and other performance metrics; AND Target setting updates and Base year recalculation & decision pathway *
B.11	24 Jul 2025 **	TBD. Tentative: Disclosure requirements for scope 3 performance communication

* Formerly Target setting was scheduled in B.8 (it has been moved to B.10). ** Formerly B.11/B.12 was scheduled in June.

(Draft; for discussion)

Previous surveys

Group B facilitator discussion and in-meeting poll results (from B.7)

- **100%** agree with the Secretariat's use of the term "**facilitator**" agnostically for all types of facilitators
 - Instead of the term "intermediary party"
- **80%** of Group B TWG members want to **require** facilitated emissions, either for (% TWG members):
 - **All** facilitated emissions (case-agnostic) (40%)
 - **Some** cases (case-by-case basis) (40%)
- **66%** want to report facilitated emissions **disaggregated** inside a scope 3 inventory, either in:
 - A **new** scope 3 **category 16** (53%)
 - **Existing** scope 3 **categories** (13%)
- **Split opinions** on **calculation or attribution**; TWG members assert that facilitators should include:
 - **All** (100%) of facilitated emissions (31%)
 - **A fraction** (%) of facilitated emissions (38%)
 - **Either** (31%)

Preliminary Interpretation of Poll Results from Survey (pre-B.8)

- Licensors **shall** include facilitated emissions in Category 14
- Underwriters **shall/may** include facilitated emissions
- Lenders/depositaries **may** include facilitated emissions in Category 15
- Platform-based two-sided marketplaces **shall** include facilitated emissions in a new scope 3, Category 16
- All other reporting companies **may** include facilitated emissions in a new scope 3, Category 16

Type	Case	Facilitator? *	May	Shall
Broker	Brokers	Yes	57%	29%
	Booking/travel agent	Yes	57%	29%
	Underwriter/issuer	Yes	40%	40%
Platform-based two-sided marketplace	Platform-based two-sided marketplace	Yes	29%	43%
	E-commerce platform	Yes	33%	40%
	Online payment system	Yes	75%	17%
Service provider	Grid owner and operator (not buyer/seller)	Yes	80%	10%
	O&G Pipeline operator (not buyer/seller)	No	67%	25%
	Audio-visual streaming company	Yes	54%	38%
	4th party logistics provider	Yes	54%	23%
	Logistics provider	No	85%	8%
	Third-party advertiser (sales-dependant)	Yes	45%	45%
	Third party advertiser (flat fee)	No	67%	25%
	Credit card issuer	Yes	100%	0%
Lender and/or depositary	Debit card issuer	No	100%	0%
	Licensor	Yes	23%	62%
Licensor	Licensor (sales-based)	Yes	23%	62%
	Licensor (flat fee)	No	38%	54%

* According to the four draft proposed criteria by the Secretariat

(Draft; for discussion)

Draft Chapter 6 revisions

6.1 Check list of requirements, Minimum boundary language

- Minimum boundary scope 3 emissions requirement language states that: "Companies **shall** account for all scope 3 [CO₂, CH₄, ...] emissions from each scope 3 category according to the minimum boundary provided in Table 5.4"
- How do TWG members believe that the 5% exclusion threshold can/should be stipulated?
 - Three proposed options follow on the next slide

* Note that the term "5% exclusion threshold" has been introduced in the current revisions as a Standard-specific term; it is used in other sections of this Chapter 6 and would be listed as a glossary term with a definition.

6.1 Check list of requirements, Minimum boundary language (continued)

- **Option 1:**
 - Companies **shall** account for at least 95% of cumulative scope 3 emissions within the minimum boundary
 - Companies **may** exclude up to 5% of cumulative scope 3 emissions identified within the minimum boundary (the “5% exclusion threshold”)
- **Option 2:**
 - Companies **shall not** exclude more than 5% of total scope 3 emissions identified within the minimum boundary (the 5% exclusion threshold)
- **Option 3:**
 - Introduction of the term “significant” (potentially across the standards suite)
 - Companies **shall** account for all significant emissions identified within the scope 3 minimum boundary
 - The term “significant” for scope 3 boundary setting is defined as “... no less than 95% of scope 3 emissions identified within the minimum boundary” **OR** as “... no more than 5% of total scope 3 emission identified within the minimum boundary (the 5% exclusion threshold)”
 - Companies **shall** account for all significant emissions identified within the minimum boundary
 - Companies **shall not** exclude more than 5% of total emissions identified within the minimum boundary
 - Companies **shall** disclose and justify any exclusions

6.2 The term “significant” to define minimum boundary

- The term “significant” (and related terms) are used extensively in the *Scope 3 Standard*
 - “Significant” is used 61x times
 - “Significantly” is used 21x
 - “Significance” is used 5x
- **Draft revision:** The term “significant” is not currently being used to define either the (a) 5% exclusion threshold nor (b) the recommended (shall) activities that “... Are deemed relevant if they meet at least one of the criteria [in Table 6.1 Criteria for identifying relevant scope 3 activities]”
 - Although the criteria, Size, is defined as including: “Activities that contribute [significantly] to a company’s total anticipated scope 3 emissions (including required minimum boundary and optional boundary scope 3 emissions)”
- **Discussion:** If the term “significant” is used to refer to what is currently specified as the “5% exclusion threshold” in the *Scope 3 Standard*, or if it is used for requirements (i.e., not guidance) language, then the term “significant” will need to be technically reviewed in every instance (above) for consistency

6.2 The term “significant” in boundary requirements (continued)

- Should the term “significantly” be used in the description of the Size criterion (Table 6.1)? *
- Yes (use “significantly”)
- No (use another characteristic, threshold, or word to define “size”, TBD)
- Abstain

* Size: “Activities that contribute significantly to a company’s total anticipated scope 3 emissions (including required minimum boundary and optional boundary scope 3 emissions) (See: Table 6.1)

6.3 Completeness and relevance

- Current, the revised text states that:
 - “Companies should not exclude any activity that would compromise the relevance of the reported inventory.”
 - “Activities are deemed relevant if they meet at least one of the criteria [in Table 6.1]”.
- Is the connection between Table 1 (i.e., the criteria for identifying relevance, of which influence is one criteria) and the list in section 6.3.1 (for pathways that may indicate influence), clear?
 - Yes, No, Abstain
- Should the connection between the pathways of influence be explicitly stated (e.g., “Satisfying any pathway in section 6.3.1 may indicate influence and therefore may be deemed relevant.”)
 - Yes, No, Abstain

6.4 Hotspot analysis

- Currently, the revised text states that:
 - Companies **shall** conduct a hot spot analysis annually when setting the boundary
 - Companies **shall** estimate emissions from each scope 3 activity within the minimum boundary
 - Companies **may** estimate emissions from each scope 3 activity within the optional boundary
 - Companies **may** use any calculation or estimation method
 - Companies **should** use best available data and calculation or estimation methods
- “Box 6.1 Example of disclosing & justifying exclusions” is maintained with updated language
- “Box 6.2 Example of choosing calculation method for hot spot analysis” is added to the section

6.5.1 Exclusion threshold

- Currently, the revised text states that:
 - Companies **shall** disclose and justify any exclusions of scope 3 emissions
 - Companies **may** exclude up to 5% of total scope 3 emissions identified within the minimum boundary
 - The 5% exclusion threshold **shall** be calculated using hotspot analysis
 - Companies **may** exclude de minimis emissions as part of the 5% exclusion threshold
 - Companies **may** exclude de minimis emissions identified within the minimum boundary, subject to the 5% exclusion threshold
 - De minimis emissions **should** be reasonably expected to be insignificant and **may** be neglected
 - Companies **may** use quantitative or qualitative methods to identify de minimis emissions
 - If the reporting company is unsure whether the emissions are insignificant, then the emissions **shall** not be treated as de minimis

6.5.2 Exclusion of downstream emissions for intermediate products

- Currently, the revised text states that:
 - A company may be unable to reasonably estimate the downstream emissions associated with the various end uses of the intermediate product
 - In such a case, companies **may** disclose and justify the exclusion of downstream emissions from categories 9, 10, 11, and/or 12 for the intermediate product(s) in question

6.5.3 Boundary disclosure terminology

- Currently:
 - **Not applicable (N/A)** – no emissions (e.g., a reporting company has no category 13 leased assets)
 - **Threshold exclusion (T/E)** – scope 3 emissions (including de minimis) within the minimum boundary are excluded (totaling no more than 5% of minimum boundary emissions)
 - **Not reported (N/R)** – emissions exceeding the 5% exclusion threshold are not reported (with or without justification)
- Do members recommend using one of the following terms instead of Threshold exclusion (T/E)?
 - Excluded (E/X or X)
 - Threshold exclusion (T/E)
 - Not significant (N/S)
 - Optionally excluded (O/E)
 - Justified exclusion (J/E)
 - Other
 - Abstain

(Draft; for discussion)

Draft Facilitated activities (category 16) revisions

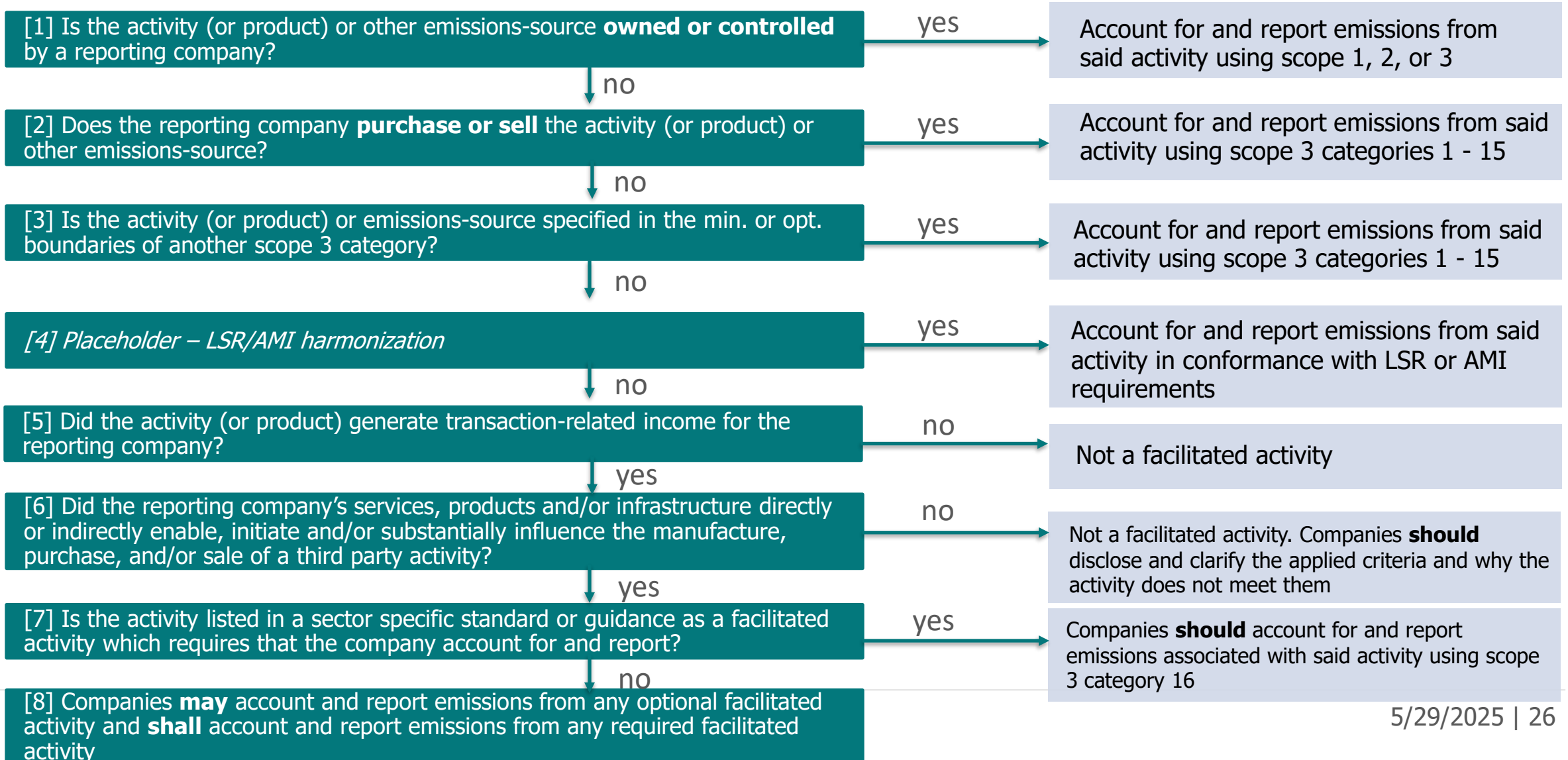
Facilitated emissions (definition)

- Definition: "Facilitated emissions are indirect GHG emissions resulting from third-party activities that are enabled, initiated, and/or substantially influenced (i.e., facilitated) by a reporting company's services, products, and/or infrastructure, where the reporting company does not own or directly operate the emitting source at any point of its lifecycle."
- Do TWG members have feedback on this working definition of facilitated emissions?

16.2 Identification criteria

- Currently, the revised text states that:
 - The following facilitated activity criteria **shall** be used to identify a reporting company's facilitated activities
 - Facilitated activities include any third-party activity or product which
 - Is **not owned or controlled** by the reporting company,
 - Is **not purchased or sold** by the reporting company,
 - Is **not specified** in the minimum or optional boundary of any other scope 3 category,
 - Generates **transaction-related income** for the reporting company,
 - Is **directly or indirectly enabled, initiated, and/or substantially influenced** by a reporting company's services, products, and/or infrastructure

Diagram 16.1



Tables 16.1, 16.2, and 16.3

- Currently, the revised text proposes that:
 - **Table 16.1:** Examples of facilitated activities
 - **Table 16.2:** Third-party activities not considered facilitated activities, which **shall not** be reported as a facilitated activity
 - Logistics, lawyers, architects, designers, licensors, etc.
 - **Table 16.3:** Third-party activities which **shall** be accounted for using other scope 3 categories
 - Reimbursables, compensation payments, cash deposits, credit card issuer, donations, licensing (fee-based or sales-based), etc.
 - **Table 16.4:** Third-party activities that are facilitated and which **shall** be accounted/reported
 - E-commerce platforms (third-party products sold therewith)

Table 16.1 examples (of facilitated activities)

- Table 16.1 could specify the following examples

Type	Case	Facilitator? *
Broker	Brokers	Yes
	Booking/travel agent	Yes
	Underwriter/issuer	Yes
Platform-based two-sided marketplace	Platform-based two-sided marketplace	Yes
	E-commerce platform	Yes
	Online payment system	Yes
Service provider	Grid owner and operator (not buyer/seller)	Yes
	Audio-visual streaming company	Yes
	4th party logistics provider	Yes
	Third-party advertiser (sales-dependant)	Yes
Lender and/or depositary	Credit card issuer	Yes
Licensor	Licensor (sales-based)	Yes

Table 16.2 examples (of non-facilitated activities)

- Table 16.2 would itemize activities that are not considered facilitated activities

Type	Case	Facilitator? *
Service provider	O&G Pipeline operator (not buyer/seller)	No
	Logistics provider	No
	Architect	No
	Lawyer	No
	Designer	No
	Third-party advertiser (flat fee)	No
Depository	Debit card issuer	No
Licensor	Licensor (flat fee)	No

Table 16.3 examples (of facilitated activities for another category)

- Table 16.3 would itemize facilitated activities that **shall** be accounted for using another scope 3 category

Type	Case	Facilitator? *	Category
Broker	Underwriter/issuer	Yes	Cat. 15 (15.3)
Lender and/or depositary	Credit card issuer	Yes	Cat. 15 (15.1)
Licensor	Licensor (sales-based)	Yes	Cat. 15 (14)

Table 16.4 examples (of required facilitated activities)

- Table 16.4 would itemize facilitated activities that are required (“shall”)

Type	Case	Facilitator? *
Platform-based two-sided marketplace	E-commerce platform	Yes

16.2 Boundary requirements and guidance

- Currently, the revised text states that:
 - **Required facilitated activities:** Companies **shall** report emissions associated with the following facilitated activities subject to the 5% exclusion threshold
 - E-commerce platforms
 - **Optional activities:** Companies **may** report all other facilitated activities, with the exception of required facilitated activities identified in Table 16.4
 - **Minimum boundary:** If reported, facilitated activities **shall** include scope 1, 2, and upstream & downstream scope 3 emissions attributable to the third-party activity (or product)

16.3 Calculation method

- Currently, the revised text states that:
 - If reported, facilitators **should** account for all (100%) of the **scope 1, 2, and upstream and downstream scope 3 emissions** associated with the facilitated activity (or product)

16.4 Other indicators

- Currently, the revised text states that:
 - A reporting company **may** report a **proportion (fraction) of facilitated emissions** as a separate key performance indicator (KPI)

Background

- Value chain activities
 - "... **consequence of** the activities of the reporting company..."
 - "... can be **influenced by** the activities of the reporting company..."
 - "... activities **associated with** the operations of the reporting company..."
- Classifying upstream vs. downstream
 - "... based on the **financial transactions**..."
 - "... include[ing] emissions from products that are **distributed but not sold** (i.e., with receiving payment)."
- Associated activities
 - Category 14: Franchisees may optionally report activities associated with franchisor operations
 - Category 15: Managers (of investments) may include the emissions of their clients' investments
- Climate-related risks and opportunities
 - Scope 3 "... enables companies to understand their **full emissions impact** across the value chain..."
 - "... the **relative risks and opportunities** of scope 3 emissions compared to companies' direct emissions."
- Facilitated activity components
 - Not owned, not controlled, consequence of, financial transaction classification, associated with, some degree of influence (see notes on influence in Background)

(Draft; for discussion)

Options Consideration: Calculation

Discussion for Calculation

- **Prompt:** How should facilitators calculate facilitated emissions?
 - **Option 1:** Report **all (100%)** of the emissions attributable to a facilitated product or activities
 - **Option 2:** Report a **fraction (%)** of the emissions, e.g., the income or value earned by an intermediary party as a fraction of the total income/value of the facilitated product or activities
 - **Option 3:** Report all (100%) **OR** a fraction (%) of the emissions (method optionality)

Calculation examples

- Brokers:
 - 1,000 tCO₂e brokered asset, cradle-to-gate or cradle-to-buyer
 - x 100%
 - = **1,000 tCO₂e facilitated emissions from brokering**
 - x 2.5% broker fee
 - = **25 tCO₂e pro rata facilitated emissions**

Calculation examples (examples)

- Underwriters/issuers
 - 1,000 tCO₂e underwritten emissions (scope 1, 2, and 3 of investee)
 - x 100%
 - = **1,000 tCO₂e facilitated emissions from underwriting/issuing**
 - x league table (e.g., 20%) x 33% risk-adjustment factor
 - = **66 tCO₂e pro rata facilitated emissions**

Calculation example (continued)

- Credit card
 - 10 kgCO₂e credit card holder product (cradle-to-gate)
 - 10 kgCO₂e credit card holder product (use and EOL)
 - 20 kgCO₂e credit card holder product (cradle-to-grave)
 - x 100%
 - = **20 tCO₂e facilitated emissions by bank via lending**
 - x 100%
 - = **20 tCO₂e pro rata facilitated emissions**

Calculation example (continued)

- E-commerce platform
 - 10 kgCO₂e third-party product (cradle-to-gate)
 - 10 kgCO₂e third-party product (use and EOL)
 - 20 kgCO₂e third-party product (cradle-to-grave)
 - x 100%
 - = **20 tCO₂e facilitated emissions by e-commerce platform**
 - x 25% fees/etc.
 - = **5 tCO₂e pro rata facilitated emissions**

Calculation example (continued)

- Advertiser (sales-based fee)
 - 1,000 tCO₂e client product sales (cradle-to-gate)
 - 1,000 kgCO₂e client product sales (use and EOL)
 - 2,000 kgCO₂e client product sales (cradle-to-grave)
 - x 100%
 - = **2,000 tCO₂e facilitated emissions by advertiser**
 - x 10% sales-based fee
 - = **200 tCO₂e pro rata facilitated emissions**

Calculation example (continued)

- Licensing (sales-based royalty)
 - 1,000 tCO₂e licensee product sales (cradle-to-gate)
 - 1,000 kgCO₂e licensee product sales (use and EOL)
 - 2,000 kgCO₂e licensee product sales (cradle-to-grave)
 - x 100%
 - = **2,000 tCO₂e facilitated emissions by licensor**
 - x 20% royalty
 - = **400 tCO₂e pro rata facilitated emissions**

Decision-making criteria discussion

How do the options align with the decision-making criteria?

Decision-making Criteria	<u>Option 1</u> Report all (100%)	<u>Option 2</u> Report a fraction (X%)	<u>Option 3</u> Optionality (100% or X%)
1A. Scientific integrity			
1B. GHG accounting and reporting principles			
2A. Support decision-making that drives ambitious global climate action			
2B. Support programs based on GHG Protocol and uses of GHG data			
3. Feasibility to implement			

Poll (continued)

- How should facilitators calculate facilitated emissions?
 - **Option 1:** Report **all (100%) facilitated emissions**
 - **Option 2:** Report a **fraction (%) of facilitated emissions**
 - **Option 3:** Report all (100%) **OR** a fraction (%) of facilitated emissions

Decision-making criteria

- ☐ 1A. **Scientific integrity**
- ☐ 1B. GHG accounting and reporting **principles**
- ☐ 2A. Support decision-making that drives ambitious global climate **action**
- ☐ 2B. Support **programs** based on GHG Protocol and uses of GHG data
- ☐ 3. **Feasibility** to implement

(Draft; for discussion)

Next Steps

Next steps

- GHG Protocol Secretariat:
 - Distribute the recording, feedback form and poll (as needed) (by May 2)
 - Prepare and distribute minutes of the meeting (by May 8th)

The next meeting is FULL TWG meeting, on:

May 22: group C outcomes

May 29: group A outcomes

June 5: group B outcomes

- TWG members:
 - Please advise if you will not be able to attend the meeting

Thank you!

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