Scope 3 Technical Working Group Meeting

WORKING DRAFT; DO NOT CITE

Group C (Investments)
Meeting 10
Final investment topics & Licensing

July 10th, 2025

Agenda

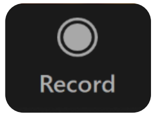
- Housekeeping and decision-making criteria (5 min)
- Scope of work and recap (10 min)
- Short positions (10 min)
- Insurance (30 min)
- Underwriting (15 min)
- Other financial activities (15 min)
- Commodities (15 min)
- Licensing (15 min)
- Time planning and next steps (5 min)

Housekeeping and decision-making criteria

Disclaimer:

- This is a working document to be used as input for discussions of the Technical Working Group (TWG) of the Scope 3 Standard update process. The notes and views, if any, expressed in this document do not reflect a position of the Greenhouse Gas Protocol, WRI, WBCSD, nor members of the TWG or any affiliations thereof, unless otherwise stated explicitly. The options and preliminary comparisons herein are not designed to be final, complete, or all-encompassing.

Meeting information



This meeting is recorded.

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.

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

Standard setting language

- GHG Protocol standards use precise language to indicate which provisions of the standard are requirements, which are recommendations, and which are permissible or allowable options that companies may choose to follow.
- "**Shall**" indicates what is required to be in conformance with the standard.
- "**Should**" indicates a recommendation, but not a requirement.
- "**May**" indicates an option that is permissible or allowable.

Decision-Making Criteria

- Evaluating options: Describe the 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 the pros and minimize the 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 a solution(s) that meet all criteria.

Decision-making criteria	Option A	Option B	Option C
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

Note: This is a summary version. Read the full decision-making criteria included in the annex to the Governance Overview, available at: https://ghgprotocol.org/our-governance.

Scope of Work

Full Scope 3 TWG meetings in May/June

Meeting	Meeting date	Issue
C.10	Jul 10	Licensed IP classification, boundary, and quantification
C.11	Jul 31	Licensed IP continued

- **No Subgroup C or any TWG meetings will be held in August**

Full Scope 3 TWG survey results (May/June)

GREENHOUSE GAS PROTOCOL

Pre-Read

Survey summary: Classification and required/optional category 15 emissions

- [Revision C1] **Applicability for non-financial institutions**
  - **98% support** (46% strongly)
  - 2% oppose (100% strongly)
  - 6% level of Abstention *
- [Revision C2] **Category 15 is for investments (proper)**
  - **96% support** (29% strongly)
  - 4% oppose (100% strongly)
  - 6% level of Abstention *
- [Revision C3] **Underwriting and insurance to Category 16**
  - **87% support** (30% strongly)
  - 13% oppose (67% strongly)
  - 15% level of Abstention *
- [Revision C3b] **Reference to PCAF Part B (Underwriting)**
  - **91% support** (17% strongly)
  - 9% oppose (100% strongly)
  - **39% level of Abstention ***
- [Revision C3c] **Reference to PCAF Part C (Insurance)**
  - **91% support** (13% strongly)
  - 9% oppose (100% strongly)
  - **39% level of Abstention ***
- [Revision C4] **Move all other financial activities to Cat. 16**
  - **95% support** (28% strongly)
  - 5% oppose (100% strongly)
  - **24% level of Abstention ***

* Supporting v. opposing percentage values *exclude* abstentions in the denominator.

Survey summary: Classification and required/optional category 15 emissions

- [Revision C5] **All companies shall account for category 15 (investments) ***
  - **82% support** (37% strongly)
  - 18% oppose (100% strongly)
  - 7% level of Abstention *
- [Revision C6] **Investors shall include the scope 1, 2, and 3 emissions of investees**
  - **76% support** (35% strongly)
  - 24% oppose (73% strongly)
  - 17% level of Abstention *
- [Revision C7] **The 5% exclusion threshold applies to Category 15**
  - **91% support** (18% strongly)
  - 9% oppose (50% strongly)
  - **20% level of Abstention ***
- [Revision C8] **Should a Category 15-specific exemption be drafted (like for intermediate products)?**
  - **83% support** (24% strongly) - Yes
  - 17% oppose (71% strongly)
  - **24% level of Abstention ***
- [Revision C9] **Require the disclosure of reported category 15 investments as % of total carrying value ****
  - **92% support** (24% strongly) - Yes
  - 8% oppose (100% strongly)
  - **33% level of Abstention ***
- [Revision C10] **Equity proportionality includes equity and debt in the denominator**
  - **93% support** (22% strongly) - Yes
  - 8% oppose (67% strongly)
  - **26% level of Abstention ***

* Supporting v. opposing percentage values *exclude* abstentions in the denominator. ** Total value of all assets and financial instruments.

Survey summary: Classification and required/optional category 15 emissions

- [Revision C11] **Reference to third-party industry-specific accounting and reporting standards**
  - **98% support** (33% strongly) - Yes
  - 2% oppose (100% strongly)
  - 9% level of Abstention *

- [Revision C12] **Organizational boundaries**
  - **98% support** (23% strongly)
  - 2% oppose (100% strongly)
  - 24% level of Abstention *

- [Revision C13] **Time boundary**
  - **100% support** (14% strongly)
  - 0% oppose (0% strongly)
  - 20% level of Abstention *

- **Calculation guidance** (**no** new calculation methods, apart from C10. Equity proportionality. have been developed)
  - **92% support** (12% strongly)
  - 8% oppose (100% strongly)
  - **33% level of Abstention ***

* Supporting v. opposing percentage values *exclude* abstentions in the denominator.

Short positions (Exclusion of)

Exclusions: Short positions

- Exclusion (added):
  - "For the avoidance of doubt, a short position does not constitute equity or an ownership interest; companies that hold short position (e.g., traders) may account for emissions associated with the underlying asset in Category 16."
- Footnote:
  - "A short position involves three parties: (i) the short seller, who borrows securities and sells them into the open market; (ii) the lender of the securities, who loans the securities to the short seller with the expectation that equivalent securities will be returned; and (iii) the market counterparty, who purchases the borrowed securities in the open market and thereby holds the equity interest in the underlying entity or asset associated with those securities. A short position represents an obligation on the part of the short seller to return the borrowed securities to the lender. At no point (either before entering, during, or after exiting a short position) does the short seller hold any equity or ownership interest in the underlying entity or asset associated with the securities."

Prompt

- Is it helpful/necessary to include short positions as an explicit exclusion?

Insurance

16.1 is for Insurance, Reinsurance, and Claims Payments

- PCAF Part C only provides guidance for **insurance-associated emissions**
  - This includes **insurance** and **reinsurance** *
  - Insurance-associated emissions are the business operating emissions of an insured party allocated to the insurer in proportion to an insured party's insurance premium payments and income
- The Secretariat is proposing to expand this to include **claims payments**
  - Claims payment-associated emissions are the emissions financed by an insurer's claims payment (paid to an insured party)
  - **Two types** are identified as being potentially very different; claims payments used to fund:
    - 16.1.2.1 – **Tangible property** (new, repaired)
    - 16.1.2.2 – **Non-tangible property** (e.g., health insurance, life insurance, business interruption)
      - Insured parties may not use claims payments used to fund non-physical property in way that the emissions caused by the use of said funds is readily calculable (unlike their use for physical property)

* These are "… emissions associated with re/insurance underwriting portfolios for accounting purposes (throughout the document referred to as insurance-associated emissions)" as defined by the Partnership for Carbon Accounting Financials (PCAF) in *The Global Accounting and Reporting Standard*, Part C, Insurance-Associated Emissions.

Classification in Category 16

- Category 16 (optional)
  - 16.1 Insurance, reinsurance, and claims payments ("**Insurance**")
    - 16.1.1 - **Insurance-associated activities** of insured parties (refer to PCAF Part C)
      - 16.1.1.1. Insurance
      - 16.1.1.2. Reinsurance
    - 16.1.2 - **Claims payment-associated activities**
      - 16.1.2.1. Tangible property (including goods, capital equipment, vehicles, and buildings)
      - 16.1.2.2. Intangible property (including health insurance, life insurance, business interruption)

* These are "… emissions associated with re/insurance underwriting portfolios for accounting purposes (throughout the document referred to as insurance-associated emissions)" as defined by the Partnership for Carbon Accounting Financials (PCAF) in *The Global Accounting and Reporting Standard*, Part C, Insurance-Associated Emissions.

Applicability for Insurers

- **Only required for Insurers (proper):**
  - "This section is applicable only for insurers. An insurer is any company that issues insurance, issues reinsurance, and/or or makes claims payments to an insured party (customer) (collectively, "Insurer" or "Insurers". Re/insurers are considered financial institutions. Any investment(s) made by an insurer shall be accounted for in Category 15."

- **Optional for self-insurers:**
  - "For the avoidance of doubt, Self-insurers are not considered Insurers as defined above. Accounting for and reporting (16.1.1) Insurance-associated activities and (16.1.2) Claims payment-associated activities is optional for Self-insurers. Refer to guidance for companies that self-insure in the sub-section on Self-insurers."

Accounting requirements

- Insurers **shall** account for (16.1.1) insurance-associated emissions.
- Insurers **shall** rely on PCAF Part C to quantify (16.1.1) insurance-associated emissions.
- Insurers **should** account for (16.1.2.1) emissions associated with tangible property purchased using claims payments. Insurers **should** quantify the cradle-to-gate emissions associated with tangible property relying on calculation methods provided for category 1 and category 2.
- Insurers **may** quantify the gate-to-grave emissions associated with tangible property.
- Insurers **may** account for (16.1.2.2) emissions associated with intangible property or activities purchased or paid for using claims payments.
- Claims payment-associated emissions, if any, **shall not** be double-counted as insurance-associated emissions.

Calculation method

- **No method by GHG Protocol**
  - "No calculation method(s) are provided by the GHG Protocol for insurance, reinsurance, or claims payments.
  - Companies that report emissions associated with insurance and/or reinsurance **shall** conform with *The Global Accounting and Reporting Standard*, *Part C*, *Insurance-Associated Emissions* by Partnership for Carbon Accounting Financials (PCAF), First Version, December 2023."

- **Footnote:**
  - Other versions of this standard (PCAF, Part C) *may not* comply with some or all accounting and reporting requirements of GHG Protocol.

- **Important:**
  - The final approval of a version of PCAF Part C is subject to consideration by the Scope 3 TWG with the Secretariat, and approval by both the Independent Standards Board (ISB) and Steering Committee (SC) of the GHG Protocol.*

* Refer to Our Governance online: https://ghgprotocol.org/our-governance

Boundary for 16.1.1 insurance-associated emissions

- **Boundary requirements:**
  - These are similar to PCAF Part C
  - "[Insurers]… **shall** account for a **fraction** of the scope 1, scope 2, and where data is available should consider scope 3 emissions attributable to the insured party, **proportionate** to the insured party's premium payment amount as a fraction of the gross income revenue of the insured party."

- **Note**:
  - The list of activities in the Description was provided by insurance industry experts.

Boundary for 16.1.2 claims payment-associated emissions

- **Boundary guidance:**
  - "**16.1.2.1. Tangible property.** Insurers **shall** account for the cradle-to-gate emissions of tangible property purchased with a claims payment(s) (including goods, capital equipment, vehicles, and buildings). Insurers **may** account for some or all of the gate-to-grave emissions of property purchased with a claims payment(s) used to cover property damaged. For the avoidance of doubt, it is not expected that insurers account for or report the gate-to-grave or cumulative lifetime emissions of property purchased with a claims payment(s)."
  - "**16.1.2.2. Intangible property or activities.** Insurers **may** account for the emissions of intangible property purchased with a claims payment(s) (including health insurance, life insurance, and business interruption). No calculation method is provided for these other claims-payment associated emissions."

Self-insurers

- Guidance:
  - “A parent company or firm that self-insures or that insures a wholly owned subsidiary company (a “Self-insurer” or “Self-insurers”) **may** account for (16.1.1) insurance-associated emissions and (16.1.2) claims payment-associated emissions, **so long as this does not double count emissions within said reporting company’s scope 1, scope 2, and/or scope 3 inventory**.
  - For example, if a parent company provides insurance to a wholly owned subsidiary, then the GHG emissions associated with the subsidiary would already be accounted for in the parent company’s GHG inventory. Similarly, a self-insurer would already be accounting for the scope 1, scope 2, and scope 3 emissions of insured activities. Similarly, if this parent company makes a claims payment to its subsidiary, for example, to rebuild a facility or to purchase new inventory, then the GHG emissions associated with these purchases by the subsidiary would already be accounted for in the parent company’s GHG inventory.
  - For example, if a parent company insures a partially owned subsidiary, then the parent company should account for the insurance-associated emissions and claims payment-associated emissions pro rata, without double counting the investee (subsidiary) emissions which the insurer (parent company) may already be accounting for in Category 15 (Investments).”

Underwriting and issuance

Classification in Category 16

- Category 16 (optional)
    - 16.2 Underwriting and issuance
- **Accounting requirements:**
    - "Companies **shall** account for the scope 1, scope 2, and scope 3 emissions from underwriting and issuance in accordance with The Global Accounting and Reporting Standard, Part B, Facilitated Emissions by Partnership for Carbon Accounting Financials (PCAF), First Version, December 2023."
    - "Any underwriter that invests in an investee or asset shall account for said investment using category 15 and only the underwriting activities **shall** be accounted for in category 16. A reporting company that both invests and underwrites the same entity **shall** account for the investment using category 15 and **may** account for the emissions associated with underwriting without double counting."
- **Reporting requirements:**
    - "Companies **may** disaggregate underwriting and issuance activities. (footnote*)

* "Category 16 has a disaggregation rule (Draft Category 16 v5) that applies to category 16."

Boundary

- **Boundary requirements:**
  - "If reported, an arranger(s) (the reporting company) **shall** account for **all (100%)** of the scope 1, scope 2, and scope 3 emissions of the receiver of proceeds, in the year that proceeds are received."
  - "An arranger (the reporting company) **may** report a **fraction (%)** of the scope 1, scope 2, and scope 3 emissions attributable to the investee receiving proceeds in **proportion** to the reporting company's participation in the underwriting and issuance. The proportionate emissions disclosed by all arrangers (including underwriters) involved in a capital market transaction **should** (in aggregate, i.e., combined) equal the scope 1, scope 2, and scope 3 emissions of the receiver of proceeds in the year that proceeds are received." *
  - "An arranger (the reporting company) **may** quantify and account for the cumulative projected lifetime scope 1, scope 2, and scope 3 emissions of the receiver of proceeds in the year proceeds are received and **shall** report these projected lifetime emissions separately from its (the reporting company's) scope 3 inventory." **

- **Footnotes**:
  - * "When reporting a fraction of emissions from underwriting or issuance, an underwriter or issuer (reporting company) **should**, where possible, rely on industry-specific standards or other common best practice to determine the relevant denominator and/or adjustment factors used in this calculation."
  - ** "Total projected lifetime emissions are reported in the initial year the receiver of proceeds receives the proceeds, and not in subsequent years. Where there is uncertainty around lifetime emissions of the receiver of proceeds, an arranger (reporting company) may may report a range of possible values (e.g., three possible forward-year emissions of a company that is taken public through and initial public offering, for example, low, base, high)."

Calculation method

- **No method by GHG Protocol**
  - "No calculation method(s) are provided by the GHG Protocol for underwriting and issuance.
  - Companies that report emissions associated with underwriting and/or issuance **shall** conform with The Global Accounting and Reporting Standard, Part B, Facilitated Emissions by Partnership for Carbon Accounting Financials (PCAF), First Version, December 2023."

- **Footnote:**
  - Other versions of this standard (PCAF, Part B) *may not* comply with some or all accounting and reporting requirements of GHG Protocol.

- **Important:**
  - The final approval of a version of PCAF Part B is subject to consideration by the Scope 3 TWG with the Secretariat, and approval by both the Independent Standards Board (ISB) and Steering Committee (SC) of the GHG Protocol.*

* Refer to Our Governance online: https://ghgprotocol.org/our-governance

Other financial services and activities

Classification

- 16.3. Other financial activities and services
  - **16.3.1. Advised investments -** Investments advised by the reporting company (advisor perspective)
  - **16.3.2. Compensation payments (employer perspective) -** Compensation payments (made by an employer to a pension fund or retirement account)
  - **16.3.3. Insurance premium-related (insured party perspective) -** Insurance premium-associated emissions (insured party perspective)
  - **16.3.4. Cash deposits (depositor perspective) -** Cash deposits (excluding cash equivalents) (depositor perspective)
  - **16.3.5. Donations (donor perspective) -** Cash donations (donor perspective)
  - **16.3.6. Derivatives (buyer and/or seller perspective) -** Derivatives (including futures, options, and swaps) (buyer and/or seller perspective)

Requirements

- **Boundary requirements:**
  - Companies **may** account for (16.3) other financial activities.
  - If included, companies **should** account for the scope 1, scope 2, and scope 3 emissions of the activity facilitated by the financial activity.
- **Reporting requirements:**
  - If reported, companies **shall** disaggregate other financial activities using the above line-items (16.3.1 through 16.3.6).
  - If reported, advisors **should** disaggregate advised investments using three sub-totals for equity, debt, and project finance.
- **Calculation method:**
  - No calculation methods are provided for the following investment types. Reporting companies should, where possible, rely on industry-specific standards and/or common best practice to quantify emissions attributable to the following financial instruments and/or financial activities.

Commodities

How should commodities contracts be treated?

- Currently, **there is no guidance** on **commodities as an investment**
- Only the *Corporate Standard* provides guidance on electricity as a commodity
  - Purchased electricity for resale to intermediaries (Appendix A, *Corporate Standard*) explicitly states that companies **may report these emissions** "… under optional information **separately from scope 3** because there could be a number of trading transactions before the electricity reaches the end-user."
- The life cycle emissions of purchased/sold oil and gas (O&G) is required as per the *Scope 3 Standard*
  - Oil and gas **are** classic examples of commodities
  - Every purchaser and seller of oil and gas (O&G) must account for the upstream and downstream emissions of the purchased/sold O&G in accordance with minimum boundary requirements of the *Scope 3 Standard* (Table 5.4, *Scope 3 Standard*) and as explained in Table 3.2 Accounting for emissions across an electricity value chain (in the *Technical Guidance*, p. 40)
- These requirements may be inconsistent

What is a commodity

- Commodities are basic raw materials or primary agricultural products that can be bought and sold
  - E.g., fuels (oil, gas); electricity; metals (gold, silver); agriculture (wheat, coffee); livestock (cattle, hogs)
- Commodities can be considered investments
  - E.g., if purchased to earn a return (e.g., through price appreciation) or for inflation protection
- Types of instruments vary
  - Futures contracts (i.e., a derivative), commodity ETFs, mutual funds, direct physical ownership
    - Note that **derivatives** are optional for inclusion (in Category 16)
    - Note that **mutual funds and ETF shares** (15.1.10) can be excluded with justification *
- Commodities are not always investments
  - E.g., companies that buy commodities and use them (e.g., farmer buying grain for livestock)

* "If a company is unable to reasonably estimate…" as per *Draft Revision Category 15 v6.0 (2025.05.29)*

Accounting for purchased/sold commodities

Buying reason	**Consumption/use**	**Investment**	
Description	Company purchases commodity to **consume and use** it (e.g., farmer buys grain for livestock)	Company purchases commodity to **earn return** (from price appreciation) or for **inflation protection**	Company purchases commodity via **mutual fund or ETF shares** (15.1.10*)
Classification (cradle-to-gate)	**Category 1** (purchased goods and services)	**Category 15** (investments)	**Category 15** (investments)
Classification (gate-to-grave)	**Category 10/11** (use of sold intermediate/final product) **	*Ibid*	*Ibid*
Required (min.) boundary	Cradle-to-gate (upstream) and potentially also gate-to-grave (downstream)	Scope 1, scope 2, and scope 3 emissions of investments	Scope 1, scope 2, and scope 3 emissions of investments
Examples	Grain for livestock; metals for PV manufacture; material inputs for beauty products.	Commodities trading houses (e.g., Glencore); commodity funds (e.g., PIMCO's PCRAX)	Shares of Gold ETFs (ticker: GDX, GDXJ); PIMCO Commodity Real Return Strategy (ticker: PCRAX)

* These are identified as a financial instruments under Category 15, investments, the emissions from which a company shall account and report; companies may justify exclusions of 15.1.10 as per *Draft Revision Category 15 v6.0 (2025.05.29)*. ** Companies may not have downstream emissions attributable to all commodities.

Requirements and Prompts

- **Requirements ("shall"):**
  - Companies that purchase commodities and use them in product are already required to account for the cradle-to-gate emissions in Category 1
  - Companies that purchase commodities as investments (e.g., gold, wheat, oil and gas) are required to account for the cradle-to-gate emissions in Category 15
  - Companies that purchase commodities via ETFs or mutual funds (e.g., GDX) may justify an exclusion subject to requirements detailed in Category 15 (revised draft)
- **Prompts:**
  - Should commodities be added to the list of investments?
  - Should buyers/sellers of electricity (i.e., to resellers and not end users) account for the electricity?
    - Should they account for it in Category 16 (despite buying/selling, i.e., owning, the electricity)

Licensing

Category 14: Franchising

- ***Scope 3 Standard (Chapter 5):***
  - “This category includes emissions from the operation of franchises not included in scope 1 or scope 2. A franchise is a business operating under a license to sell or distribute another company’s goods or services within a certain location. This category is **applicable to franchisors** (i.e., companies that **grant licenses** to other entities to sell or distribute its goods or services in return for payments, such as **royalties** for the **use of trademarks** and **other services**). Franchisors should account for emissions that occur from the operation of franchises (i.e., the scope 1 and 2 emissions of franchisees) in this category.
  - Franchisees (i.e., companies that operate franchises and pay fees to a franchisor) **should** include emissions from operations under their control in this category if they have not included those emissions in scope 1 and scope 2 due to their choice of consolidation approach.
  - Franchisees may **optionally** report upstream scope 3 emissions associated with the franchisor’s operations (i.e., the scope 1 and scope 2 emissions of the franchisor) in category 1 (Purchased goods and services).”

Current boundary guidance

- **Minimum boundary and calculation**
  - Franchise-specific method, which involves collecting site-specific activity data or scope 1 and scope 2 emissions data from franchisees
    - Scope 1 and scope 2 emissions of franchisee
      - Site-specific fuel use, electricity, and other process and fugitive emissions
      - For leased buildings or assets (the floor space, building type, number of assets, etc.)
  - Average-data method, which involves estimating emissions for each franchise, or groups of franchises, based on average statistics, such as average emissions per franchise type or floor space.
- Optional boundary
  - The life cycle emissions associated with manufacturing or constructing franchises

- No guidance for **licensed** IP, branding, products, etc.

Proposed revision (directional, not language-specific)

- Proposal: Expand the scope of Category 14 to unambiguously include emissions from licensing

  - Brand Licensing (only)
    - Consumer product licensing
    - Themed entertainment (events/experiences)
    - Promotional licensing
  - IP Licensing
    - Copyright
    - Patent
    - Trade Secrete
    - Design
  - Software licensing
  - Media & content licensing

Facilitated emissions?

- As discussed previously, licensing and possibly franchising meets many if not all of the conditions for identifying a facilitated activity (as proposed for Category 16)
- Franchising and licensing (subject to revision) would be accounted for and reporting in category 14

Proposed boundary guidance for licensing

- Licensors: "… report cradle-to-grave emissions where possible…" if any the following criteria are met:
  - Operational Guidelines (licensor sets detailed guidelines or quality requirements)
  - Strategic Decision-Making (licensor is involved in marketing, pricing, etc.)
  - Business Model Oversight (licensor can decide vendors or suppliers, etc.)
  - Brand Image Control (licensor requires strict brand image guidelines)
  - Training (licensor requires/provides training and technical support)
  - Financial Arrangement (licensor is involved in financial aspects, e.g., targets)
- If none of the above criteria are satisfied, then licensor has limited or no control
- E.g., where licensor's role is confined to granting IP rights without significant influence over product production or operation

Method 1

Approach 1: Comprehensive (100%) attribution approach

- Boundary: full life cycle (100%)
  - Cradle-to-gate (require)
  - Gate-to-grave (where available)
- Methods
  - Product-specific (product-specific LCA footprint)
  - Archetype method (secondary EF for representative product)
  - Average data method (average industry values)
  - Spend-based method (EEIO)
  - Hybrid (any combination of the above)

Method 2

Approach 2: Royalty-based (% price or revenue) attribution approach

- Boundary: royalty-based (% of income)
  - Cradle-to-gate (require)
  - Gate-to-grave (where available)
- Methods
  - Licensor emissions = (% royalty) x (product lifecycle emissions)
  - % royalty
    - Royalty as % of Price (for standard % royalties)
    - Total expected royalty fee % of Total expected Revenue (for $ fee royalty agreements)
  - Life cycle emissions
    - Product-specific
    - Archetype method
    - Average data method
    - Spend-based method

Limitations

- Approach 1 is redundant for multi-licensor agreements
  - Each licensor would account for 100% of product emissions
- Approach 2 may exhibit limited data availability (e.g., for royalty fees), temporal disconnect between emissions and sales data, and varying royalty rates may challenge disclosure and/or distort the link between financial transactions and GHG impacts

Next steps

Next steps

- GHG Protocol Secretariat:
  - July 11th – Distribute the **Recording**
  - July 17th – Distribute **Meeting Minutes** and the **Feedback Form** (if any)

- Next meeting:
  - July 31st – **Last Group C Phase 1 Meeting** at **9-10 am EST**

Thank you!

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Reference: PCAF harmonization

- The draft includes significantly **more investment and investment-related activities** beyond the various asset types detailed in **PCAF Part A**, **Part B**, and **Part C**
- Some tentative revisions already improve harmonization with PCAF:
  - **Equity share consolidation approach** is supported by the majority of CS TWG for elimination, based on an initial analysis of the current approaches (to be finalized in the end of phase 1)
  - **Sovereign debt** (Table 5.10) (the calculation method has yet to be considered by the Group C TWG)
  - **Equity** (Table 5.10) now includes equity and debt in the denominator which aligns with PCAF (other calculation methods have yet to be reviewed, e.g., using EVIC in the denominator)
  - **Underwriting/issuance** (Table 5.11) (the calculation method has yet to reviewed)
  - **Insurance-associated** (Table 5.12) (the boundary/calculation method has yet to be reviewed)
- PCAF calculation guidance is **more technically detailed** (more methods and specific asset types)
  - The accounting guidance provided by the GHG Protocol (in column 3 of Tables 5.10, 5.11, 5.12, 5.13) has been drafted to be **simultaneously** technically constraining or specific enough to minimize ambiguity (and optimize for interpretability) **and** generally applicable or future-proof (where possible)
    - E.g., PCAF's has multiple calculation methods for insurance-associated emissions (i.e., for different types of insurance products) with which the GHG Protocol's draft guidance does **not** harmonize