

Actions and Market Instruments Technical Working Group

In-person workshop – Day 2

GHG Protocol Secretariat team:

Ralf Pfitzner, Alejandra Bosch, Yumzhana Daneeva, Kevin Kurkul, David Rich

July 1, 2026
Amsterdam

Introduction and welcome

9:00 – 9:15



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Agenda – Day 2

Time	Topic
9:00 - 9:15	Intro
9:15 – 10:00	Breakout report back
10:00 – 11:30	Avoided emissions from products
11:30 – 12:00	SBTi
12:00 – 1:00	Lunch
1:00 – 2:30	Reporting claims
2:30 – 3:00	Break
3:00 – 5:30	Topic breakout: Statement 2 design
3:00 – 5:30	Topic breakout: Statement 3 design

Breakout report back

9:15 – 10:00



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Conclusion of session - Baselines

Topics agreed

- General: there is a lot already in Project Protocol and Policy and Action Standard- it's ok to reference and not reinvent the wheel
- Some "hand holding" useful for companies
- Four baseline types proposed agreed
- General leaning towards "principle based, less details with one exemption:
- Key topic how to deal with uncertainty, give clear guidance , built on / reference to ICVCM CCP "reasonable amount of confidence"
- General agreement on a number of details (period, review of baselines,..)
- Side topic: no aggregation of avoided emissions across subcategories

Open questions

- Statement 3 covers many different types of projects, sectors which makes specific req. difficult – how to keep messages meaningful
- How "disruptive" intervention impacts need to be (% percentile discussion)?

Next steps

- Include referencing to ICVCM on uncertainty
- Text drafting, Breakout group offers to review and contribute

Parking lot

- How to deal with "induced emissions" in MIM proposal
- There is not necessary a single baseline - rather a number of likely options, how to choose

Quality criteria



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Summary of previous outcomes

Definition of quality criteria

- A set of integrity requirements that shall be met for actions or market instruments to be accounted for and reported in the actions and market instruments portion of the multi-statement GHG reporting structure (i.e. statement 2 or statement 3).
- Basis for quality criteria
 - ICVCM Core Carbon Principles (for carbon credits)
 - SBTi Corporate Net Zero Standard v2.0 (partial/as applicable)
 - GHG Protocol Land Sector and Removals Standard/Guidance (partial/as applicable)
 - AIM Platform (partial/as applicable)
 - TCAT (partial/as applicable)
 - TWG discussions

Quality criteria to discuss

Criteria	Workshop approach
1. Quantified	Supported with edits
2. Additionality	Supported with edits for statement 3 Statement 2 discussion parked for breakout on Day 2
3. [Intervention record / Tracking]	Supported with edits
4. Transparent documentation	Supported with edits
5. Temporal alignment	Supported with edits
6. Credible baselines	Parked due to other baselines breakout
7. Permanence	Supported with edits
8. Leakage	Supported with edits
9. Unique attribution	Supported the concept but need to change the name to better differentiate from 'avoid double counting' criterion
10. Avoid double counting	Parked due to dedicated session on Day 3
11. Verification	Supported with edits
12. Governance	Supported with edits
13. [Contribution toward net zero transition (ICVCM) / Contribution to decarbonization / System-level impact (SBTi)]	Supported with edits
14. Sustainable development benefits and safeguards	Small group to further discuss and refine

Traceability



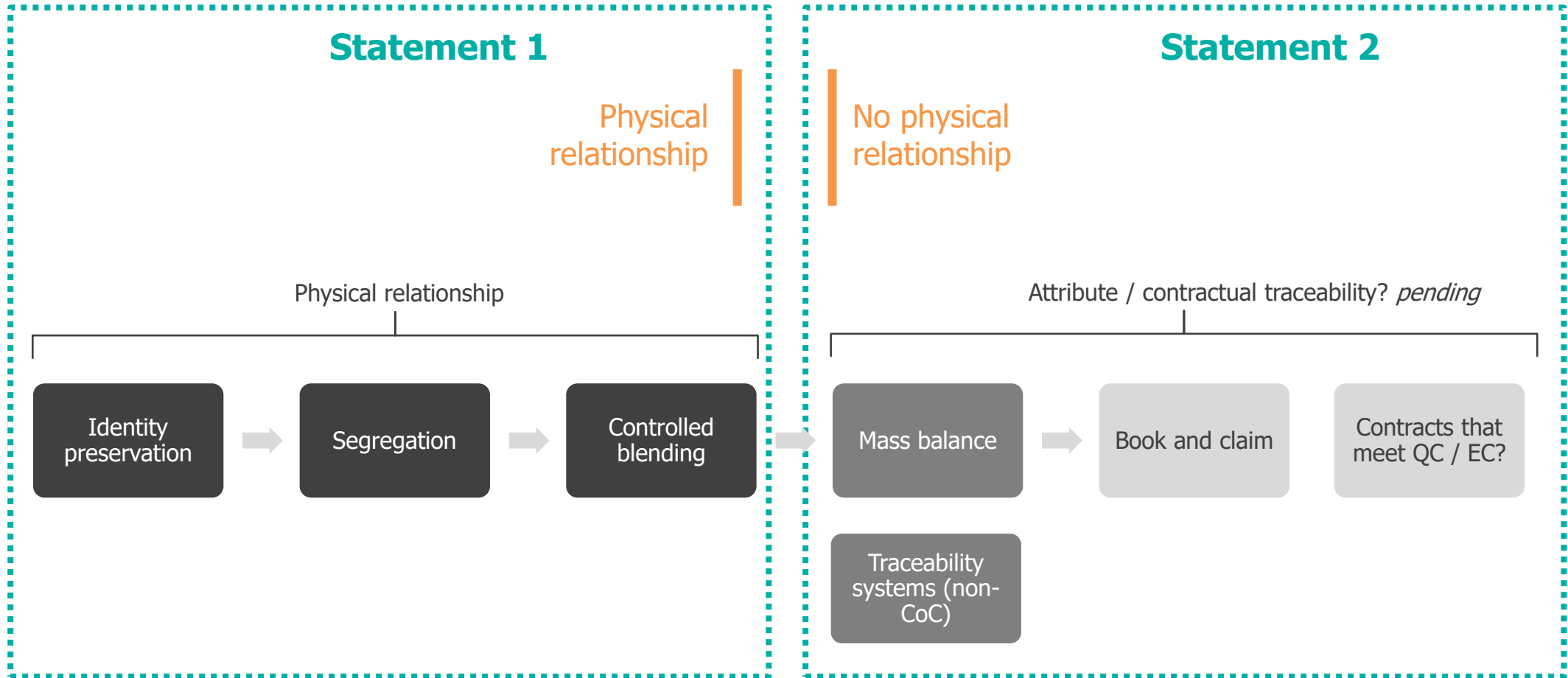
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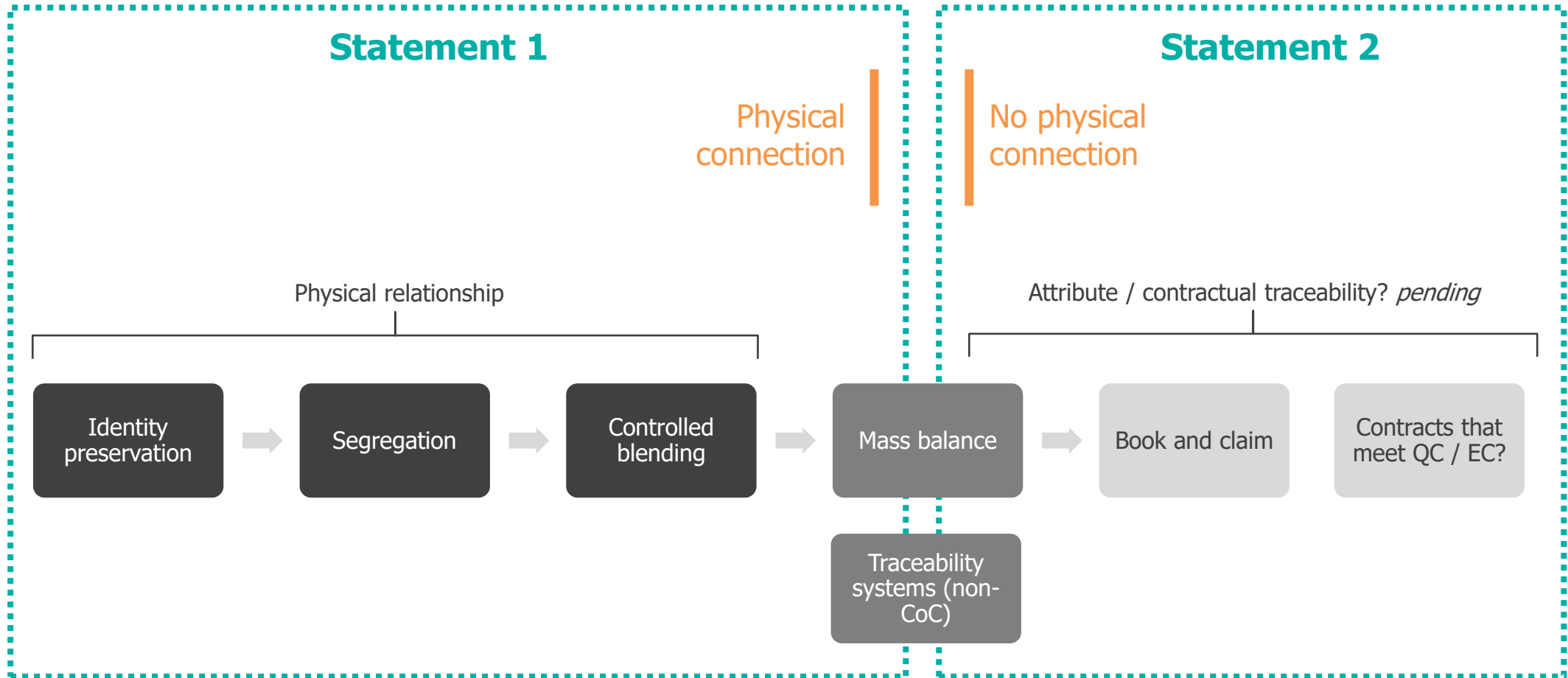
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Proposal 1



Proposal 2



Avoided emissions from products

10:00 – 11:30



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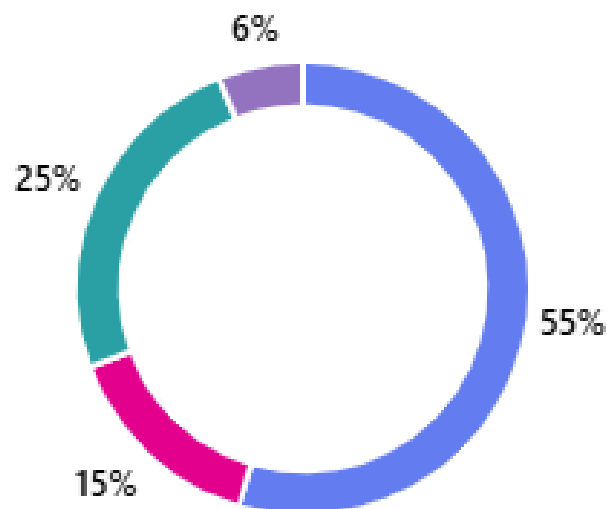


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RFI feedback on AE from products in Statement 3: majority in favor of inclusion

How should GHG impacts of sold products (e.g. avoided emissions) be treated in the GHG impacts statement?

- It should be included in the GHG impact statement
- It should be included but in a separate statement from the GHG impact statement
- I am neutral about it
- It should not be included at all

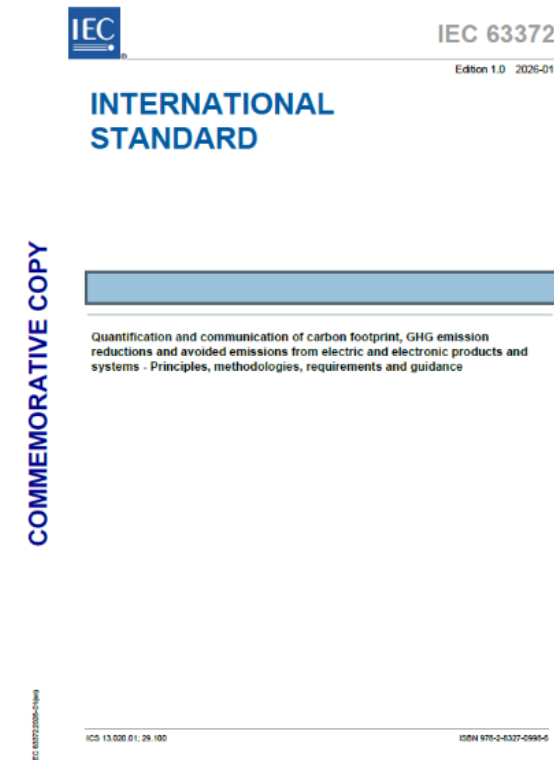


Support is conditional – themes mentioned:

- Transparency of underlying assumptions
- Avoid over-claiming
- Counterfactual & baseline sensitivity / subjectivity
- Reporting should be voluntary / optional
- Double-counting risk and prevention
- Keep separate from physical inventory — no netting / offsetting
- Comparability across companies undermined
- Additionality must be demonstrated
- Verifiability / auditability / assurance
- Greenwashing / cherry-picking / selective-reporting risk
- “Inventory dilemma” — avoided emissions needed to fairly recognize solution providers

Note this is provisional raw data, has not been cleaned, please do not share.

WBCSD Guidance and IEC 63372 pioneered Avoided Emissions (AE) from products



Avoided Emissions @WBCSD – informing AMI

*Introduction to GHG P AMI Technical
Working Group*

July 2026



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1 Introduction and context

2 WBCSD Guidance on Avoided Emissions
and suggestions for standard adoption

3 Questions & open discussion

WBCSD is a part of system-wide collaboration to strengthen AE methodologies and scale low-carbon solutions

AE program with >100 member companies and in-depth expert and standard setter engagement

AE Track is focused on priority areas around methodology, implementation, innovation, and Finance



Avoided emissions as a driver in innovation & decarbonization policy

Collaborations with Japanese METI, European Commission, and Chinese Ministry of Environment and Ecology

Reference in final communique of 2023 and 2024 G7 Climate, Energy, and Environment Ministers' meeting

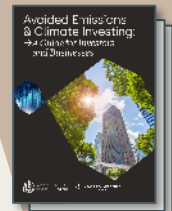


Directionality and methodological convergence in climate-driven investment

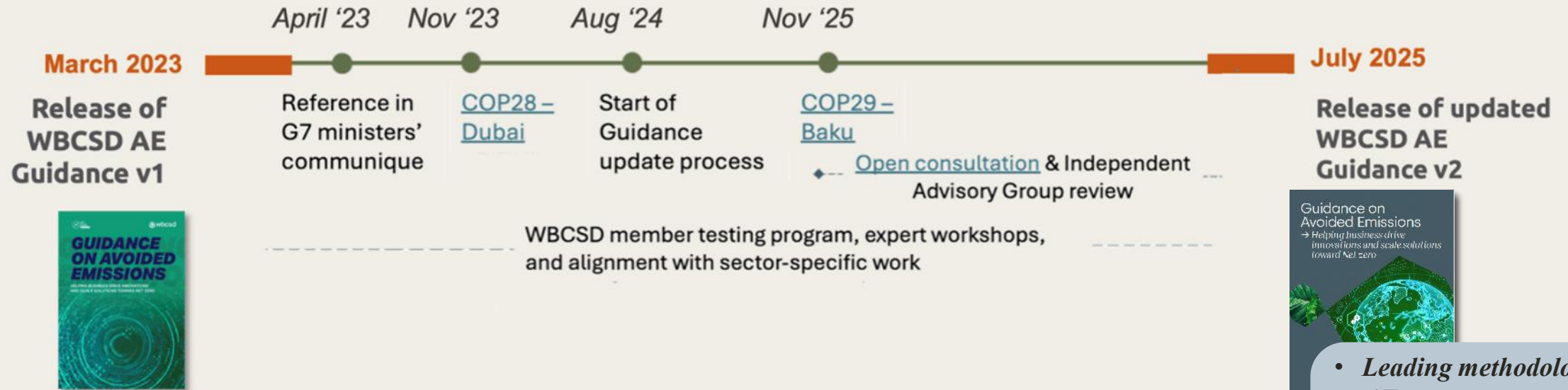
Encouragement by global leaders to build "trusted financial mechanism"

Collaboration with GFANZ, PCAF, Prime and leading financial organizations

Release of Finance x AE insight papers in 2023 ([LINK](#)), 2024 ([LINK](#)), 2025 ([LINK](#)), and 2026 ([LINK](#))



The Guidance update was informed by open consultation, independent advisory group, member testing, and intervention methodologies



Focus during Guidance update

Eligibility criteria

- Simplification of definitions
- More clarity on Guidance scope
- More inclusive methodological approach
- Specific guidance for SMEs

Assessment approach

- Clear terminology
- Reference scenario selection & modelling
- Data

Comprehensive methodology

- Scoping incl. notion of system boundary
- Allocation, aggregation, consolidation (optional)
- Reporting and verification
- Traceability and monitoring

- *Leading methodology on AE assessment and disclosure*
- *IEC, ISO, PCAF, EC build on this Guidance in their standards/drafts*

The G7 meetings in Sapporo (2023) and Italy (2024) recognized avoided emissions as a key concept for decarbonization



III. Climate & Energy - Transforming overarching systems to realize emission reduction and economic growth

“ **A shared, international standard for measuring avoided emissions is recommended to enable a common understanding and reduce the risk of inappropriate use of avoided emissions.**

In this context, we note the World Business Council For Sustainable Development's first version of the guidance on avoided emissions in March as a private sector contribution to the discussion on avoided emissions claims, which includes the eligibility gates (climate action credibility, the latest climate science alignment and contribution legitimacy) that companies must abide by to be able to claim avoided emissions. [...]

[...], noting that a trusted mechanism for avoided emissions may mobilize financial resources to accelerate the deployment of solutions.

”



G7 Climate, Energy and Environment Ministers' Communiqué

Sapporo, April 16, 2023

We stress the importance and recognize as priority continuous efforts by various entities in immediate, rapid and sustained GHG emissions reductions for themselves and throughout the value chains to keep a limit of 1.5 °C temperature rise within reach. In order to encourage more positive climate action, including in the private sector, and encourage entities to commit for themselves and throughout the value chains on their path to GHG net-zero emissions, **there is also value in acknowledging the contribution of a certain entity to emission reductions of other entities by providing decarbonisation solutions in a given system, in other words "avoided emissions"**.

The discussion of avoided emissions is already arising in the private sector, as a potential mechanism to facilitating innovation and scale-up investment in clean goods and services, which are key for realizing the necessary emissions reductions and achieving our climate goals, but until now there has been no widely recognized standardized method of calculation or reporting such as the GHG Protocol for the measuring of SCOPE1-3 emissions.

A shared, international standard for measuring avoided emissions is recommended to enable a common understanding and reduce the risk of inappropriate use of avoided emissions.

In this context, we note the World Business Council For Sustainable Development's first version of the guidance on avoided emissions in March as a private sector contribution to the discussion on avoided emissions claims, which includes the eligibility gates (climate action credibility, the latest climate science alignment and contribution legitimacy) that companies must abide by to be able to claim avoided emissions.

We stress that claims on the environmental performance of various entities should be reliable, comparable, and verifiable to empower consumers, companies, and investors to accelerate efficient emission reductions and reduce the risk of inappropriate use.

We underline the value of recognizing the following in sharing the importance of diffusing clean technologies, noting that a trusted mechanism for avoided emissions may mobilize financial resources to accelerate the deployment of solutions.

We developed the foundational AE guidance and develop further assets to advance methodologies, implementation and finance

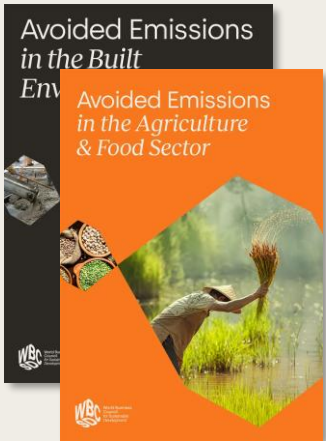
Main guidance

The guidance turns principles into a foundational methodology



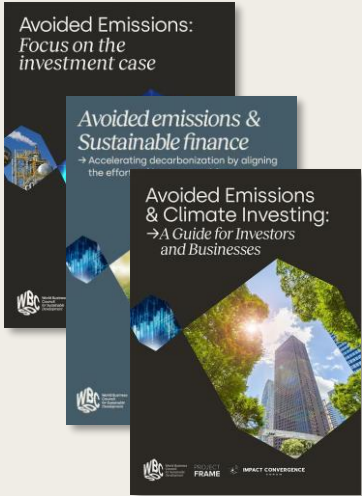
Sector specific guidance

Sector-specific guidance with complementary methodology



Capital mobilization

Finance-focused AE work bridges impact and capital allocation



Partner assets

AE work is connected to partners' assets for scalable impact



Use cases

Use cases show how AE delivers measurable, verifiable impact.



Access the **AE Implementation hub:**



Access all **WBCSD AE** resources and related work:

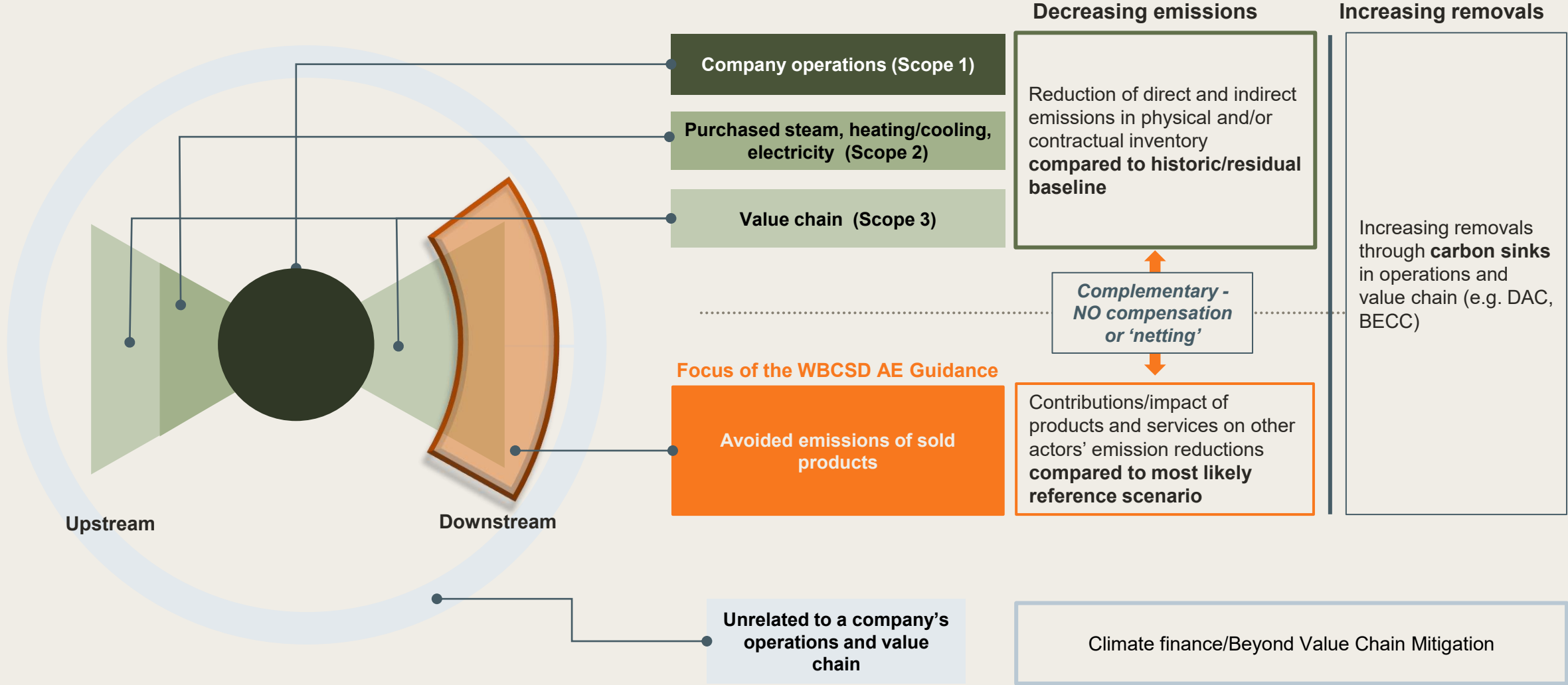
The top left corner of the slide features two large, overlapping, light brown geometric shapes. The upper shape is a pentagon, and the lower shape is a hexagon, both with irregular, hand-drawn-like edges.

1 Introduction and context

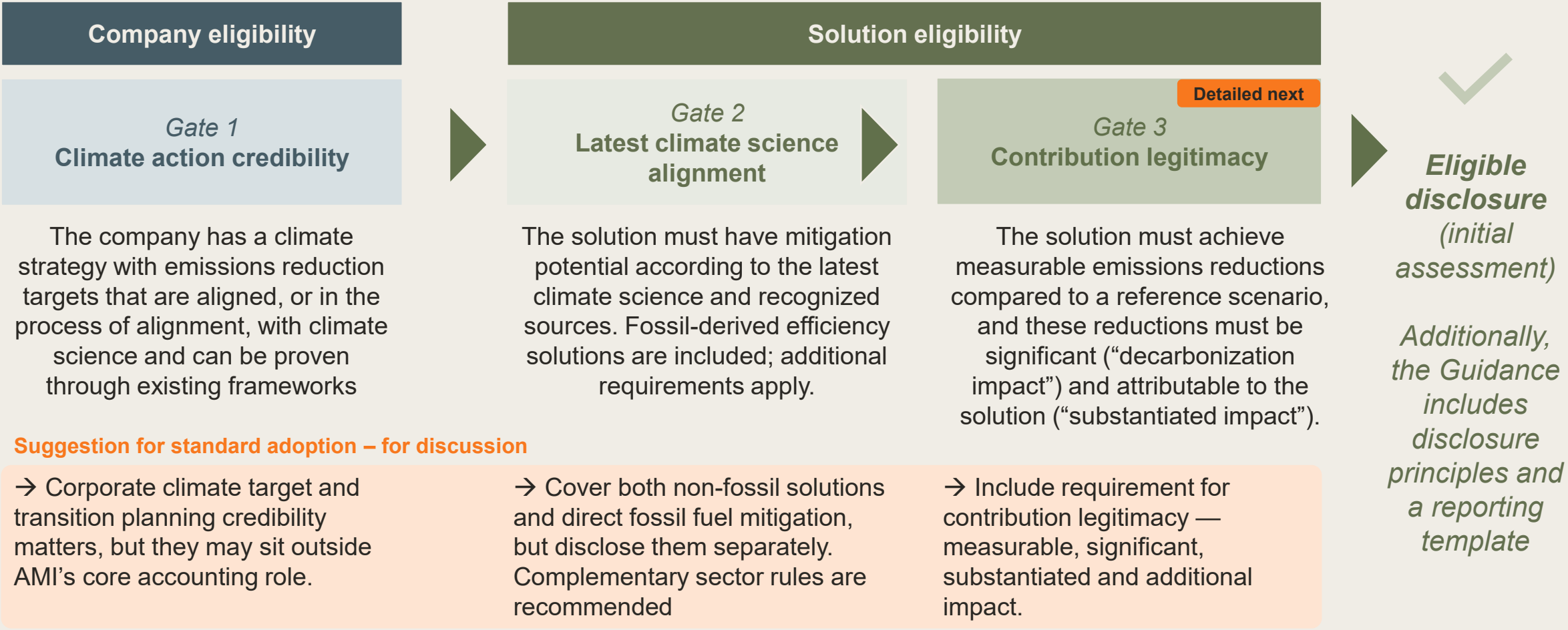
2 WBCSD Guidance on Avoided Emissions
and suggestions for standard adoption

3 Questions & open discussion

Avoided emissions require separate disclosure from corporate GHG inventories, carbon removals, and climate finance



To limit the risk of misuse and greenwashing, we established a robust eligibility check for avoided emissions disclosure



Contribution legitimacy/Gate 3: *significant decarbonization* and *substantiated impact* as additionality requirements of AE interventions

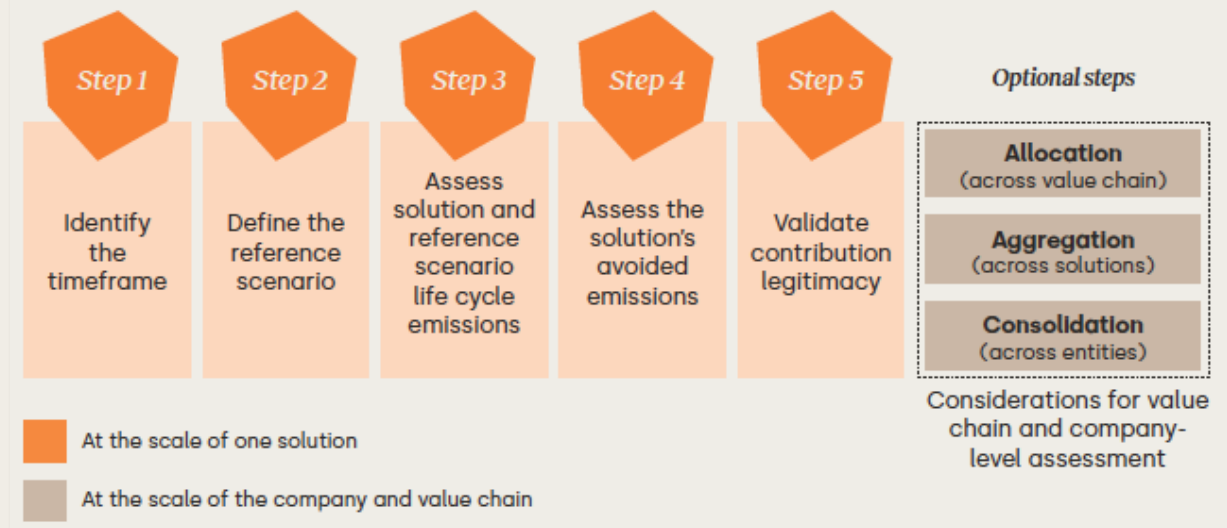
Table 3: Definitions of significant decarbonization and substantiated impact of end-use and intermediary solutions

Type of impact	Definition
Significant decarbonization	The solution achieves measurable (i) GHG emissions reductions outside the company's organizational boundary, quantified against a reference scenario as outlined in Section 4, or (ii) lower emissions than would occur in its absence; and in either case, these are significant: 1. The end-use solution achieves significant GHG emissions reductions when quantified against a reference scenario (as outlined in Section 4.6). 2. The intermediary solution is an essential component of a climate solution (i.e., an end-use solution that has passed Gate 1, Gate 2 and Gate 3, or for application in multiple end-use solutions, Gate 2 and Gate 3) and it cannot be replaced without compromising significant emissions reductions. <i>"Significant"</i> can refer to the scale of impact in absolute numbers, or to a reduction big enough to compensate for potential variations and uncertainty related to data and assumptions that underly the AE claim. The claiming party must assess, quantify or estimate the impact and justify its significance on a case-by-case basis.
Substantiated impact	The company must provide evidence that the GHG emissions reductions occur due to a cause-effect relationship between the solution and the emissions reduction.

Assessment approach: we developed a methodological flow for robust assessment and disclosure

- We suggest adoption of the *assessment approach and core principles*, largely aligned with recent/emerging standards such as IEC 63372, ISO 14061-1, PCAF Financed AE
- *Align assessment parameters with inventory reporting* in terms of boundaries, lifecycle stages, timeframes clearly distinguish realized year-on-year impacts from forward-looking assessments over a product's useful life and
- Maintain a *strict separation* between avoided emissions and physical/contractual inventory: no compensation, netting or neutralization.
- Apply a *full lifecycle perspective* and focus avoided emissions disclosure on contributions that are *not captured or evident in a company's GHG inventory*.
- Follow *transparent disclosure rules* including key assumptions, revenue share, and inventory/instrument overlaps (e.g., scope 3 downstream, carbon credits)
- *Recognize multiple use cases*, including sustainable finance, product claims and carbon credit-related disclosures, while ensuring transparent governance and eligibility criteria.

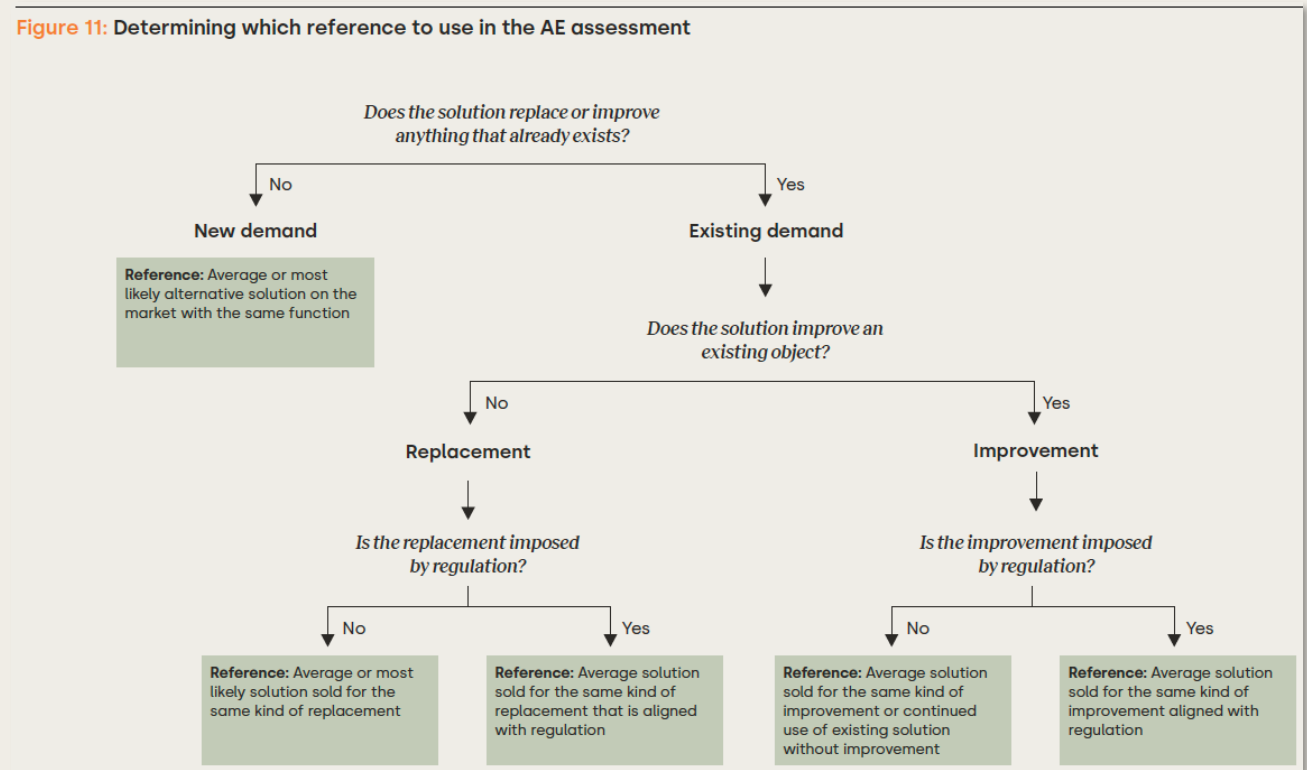
Figure 8: The five-step approach to calculating AE



Baselines, allocation and traceability: core areas for methodological harmonization with need for [xxx]

- **Reference scenarios/baselines** are central to credible avoided emissions disclosure and should be consistently defined, modelled and reassessed.
- **Consistent baselines** and marginal emission factors would reduce bespoke calculations and improve comparability, efficiency and trust.
- **Allocation** between value chain actors, portfolio **aggregation** and entity-level **consolidation** should follow standardized approaches, complemented by **existing methodologies** where relevant.
- Reporting both **allocated and unallocated** avoided emissions could improve transparency while allocation methods mature.
- **Impact monitoring and traceability** should be encouraged and continuously strengthened through evolving baselines, use phase data exchange, and clearer cause-and-effect evidence.

Figure 11: Determining which reference to use in the AE assessment



Further observations from WBCSD in context of inventory and interventions across the GHG Protocol standard suite

- Attributional inventory approaches (upstream, residual baselines, avg emission factors → substantiate reductions) and consequential impact approaches (hypothetical baselines, marginal emission factors → substantiate contributions) should be clearly differentiated, while recognizing where they interact in practice.
- Baseline approaches should be harmonized where possible and clearly differentiated where needed across the GHG Protocol standards suite.
- Overlaps between Scope 2, Scope 3 and AMI disclosures should be addressed through clear boundary rules to avoid double-claiming or misinterpretation.
- AMI Statement 3 contributions should not be framed as compensation for Statement 1 and 2 reduction targets; terminology and recognition of instruments should be aligned across standards including target-setting frameworks

*We have shared a response letter
that includes further detail on
all points mentioned today*



References

- ISO 14061-1 Quantification and reporting of GHG emissions and removals at the organization level - draft Annex J: Avoided emissions ([LINK](#); under revision)
- ISO 14067 Carbon footprint of products ([LINK](#))
- IEC63372 - Quantification and communication of carbon footprint, GHG emission reductions and avoided emissions from electric and electronic products and systems: [LINK](#)
- PCAF standard on Financed avoided emissions & forward-looking metrics: [LINK](#)
- ICMA methodologies for Impact Reporting ([LINK](#)) and Green Enabling Projects ([LINK](#))
- Impact Convergence Forum investor methodology: [LINK](#)
- Investor impact methodology for early-stage investments: [LINK](#)

Group discussion

1. Questions on WBCSD Guidance
2. Towards developing the sub-category Avoided Emissions from Products sold in AMI Standard
 - Which parts of the WBCSD Guidance (and pot. IEC 63372) can / should be standardized in AMI?
 - How can be ensured that AE from products is not unreasonably selective on positive products, which safeguards need to be met to allow for AE from products accounting?
 - How to aggregate from single solutions to a portfolio approach?
 - How detailed do we have to be, how much rely on others (PCF Standard)?
 - Your questions

SBTi update

11:30 – 12:00



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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THE CORPORATE NET-ZERO STANDARD

Version 2.0

Giulia Camparsi
Interoperability and Technical Engagement Senior Manager

June 2026



SBTi
Corporate
Net-Zero
Standard



THE STANDARD IS STRUCTURED TO IMPROVE CLARITY

Version 2.0 builds upon the strong foundation established by the first Corporate Net-Zero Standard.



TARGET SETTING METHODS - HIGH LEVEL OVERVIEW

SCOPE 1



ABSOLUTE EMISSION REDUCTION

Decrease absolute emissions linearly at a rate consistent with reaching residual levels by 2050 at the latest



EMISSIONS INTENSITY²

Reduce emissions intensity at a rate consistent with an underlying net-zero aligned sectoral pathway, where available¹



ASSET TRANSITION²

Reduce absolute emissions in line with an Asset Decarbonization Plan (ADP) based on a Carbon Budget or a Milestone Approach, both derived from reference pathways¹

SCOPE 3



ABSOLUTE EMISSIONS REDUCTION

Reduce scope 3 absolute emissions on a linear trajectory to a defined residual level that is consistent with an eligible net-zero pathway



LOW-CARBON ELECTRICITY (LCE) ALIGNMENT

Increase the percentage of LCE used, contracted or matched on a linear trajectory in line with an eligible net-zero pathway

SCOPE 2



ABSOLUTE EMISSION REDUCTION

Reduce scope 2 emissions on an absolute or intensity basis to a defined residual level following cross-sector or sector-specific pathways



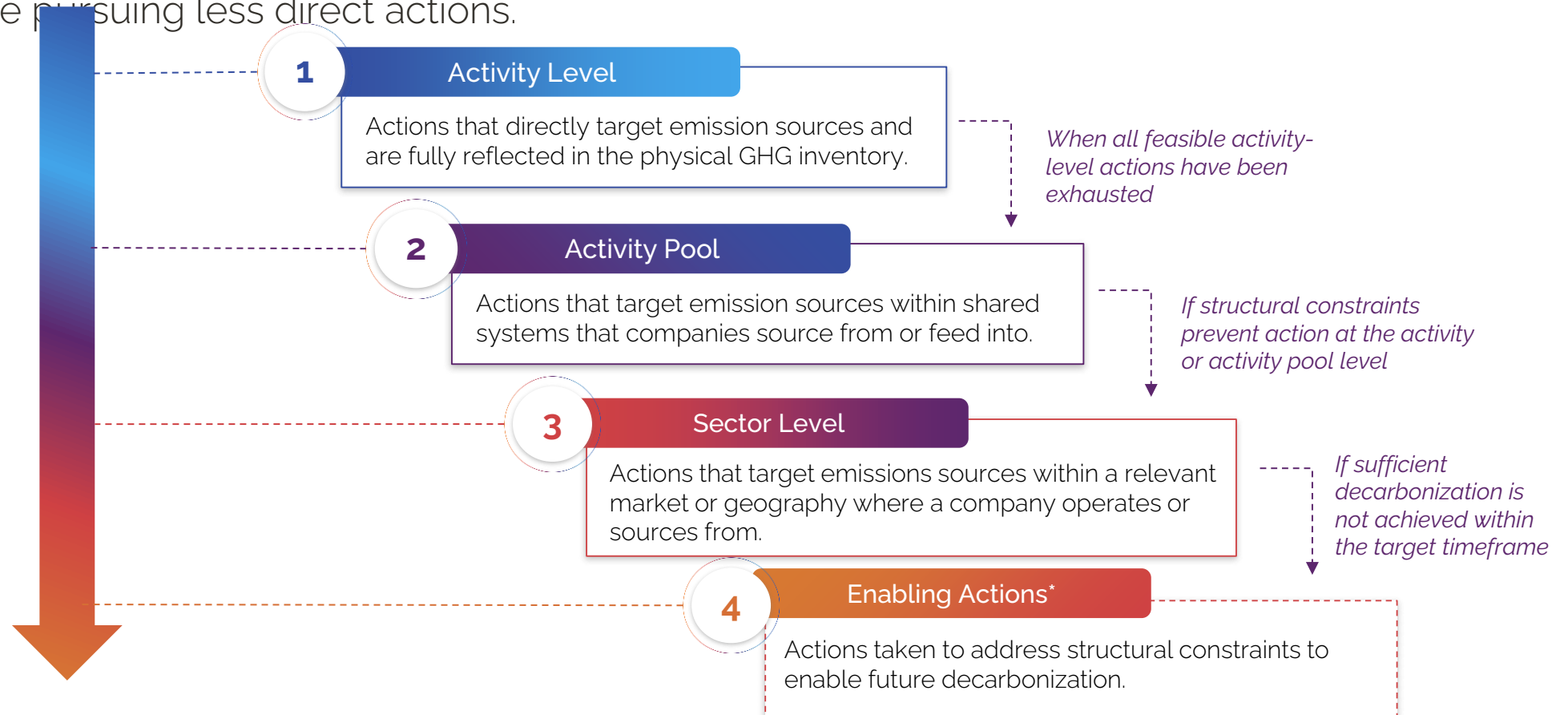
ALIGNMENT TARGETS

Increase the share of lower carbon and net-zero aligned upstream and downstream activities or counterparties, measured as a percentage of spend, revenue, volume or emissions

INTRODUCING THE IMPLEMENTATION HIERARCHY

The Standard defines four levels of action that a company may take to support decarbonization, requiring companies to prioritize actions closest to the emissions source first before pursuing less direct actions.

Companies assess and implement feasible activity-level actions before proceeding to less direct action



*Enabling actions do not contribute towards target progress, but are **recommended** as best practice when sufficient decarbonization is not achieved within the target timeframe.

ACTIONS AND MARKET INSTRUMENTS MUST MEET MINIMUM INTEGRITY CRITERIA

CRITERIA FOR ALL ACTIONS

Activity matching

Actions mitigate same activity type as underlying emissions

System association

Actions occur within the same or connected system

Quantification

Outcomes are conservatively & transparently measured

Verifiability

Outcomes are auditable for third-party assurance

Unique attribution

Outcomes are clearly attributable to the company

Double-counting prevention

Using systems with unique identification

Temporal alignment

Actions correspond to activities within 12-month window

CRITERIA FOR MARKET INSTRUMENTS

Representative: Instruments convey emissions or physical attributes of the underlying activity.

Attributional accounting principles are applied.

Attribute preservation: When certificate is created, the emissions reductions reflect the actual share of production it relates to.

Volume matched to an activity does not exceed volume of activity in the company's GHG inventory.

System level impact: For all instruments issued through programs, the program proves decarbonization of the relevant system.

CRITERIA FOR PROJECTS

Leakage: Reported outcomes reflect net outcomes after assessment and accounting for leakage

Accounting: Measured change reported and accounted for before and after the project with outcomes proportionate to their contribution

Emissions matching: Total volume reported does not exceed the actual physical emissions reduction achieved.

Additionality: Reductions meet additionality requirements based on established frameworks and standards

Causality: Reported reductions are a direct result of the project

IMPLEMENTATION FOR ELECTRICITY

Version 2.0 introduces new requirements that apply to the use of market instruments for electricity.

DELIVERABILITY

Market instruments are limited to **deliverability regions**¹

- ✓ Exceptions made for existing long-term contracts prior to the effective date of V2.0
- ✓ Deliverability between regions permitted in certain cases (e.g. physical transmission, PPAs)

AGE LIMIT

Limited to generators commissioned or re-powered within 15 years of application. Forthcoming guidance will stipulate exemptions for PPAs with new LCE projects and region-by-region options.

TEMPORAL MATCHING

Attributes must meet a **12-month matching** requirement; All companies may receive *optional recognition* for meeting specified hourly thresholds.



Category A companies are required to calculate and report percent of scope 2 electricity consumption that is matched on an hourly basis in activity pools with significant electricity use (where annual consumption ≥ 10 GWh).



The SBTi intends to conduct further research on how hourly matching should be deployed in the context of target-setting.

¹Defined as a geographical area throughout which all sources of electricity generation connected to a synchronous grid can be reasonably expected to serve sources of electricity consumption connected to that grid



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What's next

THE LAUNCH IS ONLY THE BEGINNING

The SBTi will continue to develop guidance and supplemental resources to strengthen and expand upon key elements introduced in the Standard.

Forthcoming Resource	Description	Anticipated Timing*
Methods, Metrics, and Pathways	Details the methods and pathways used to develop the target setting options underpinning Version 2.0. <i>Under consultation until July 31, 2026</i>	 Q4 2026
Interim Accounting & Reporting Guidance	How to report and assess progress using market instruments and projects in line with the Standard's implementation hierarchy, including actions at the activity pool and sector levels.	 Q4 2026 [TBD]
SBTi Assurance Framework	Policies, processes, and requirements established by the SBTi that seek to ensure that applicable criteria in SBTi standards for validation and assessment processes are consistently fulfilled.	 From early 2027
SBTi Claims Policy	Rules, conditions and processes for companies to make claims related to their targets against the SBTi Standards, ensuring that all communications are accurate, consistent, credible and transparent.	 From early 2027
Interoperability & Third-Party Recognition	A system to define technical criteria and principles for formal eligibility and recognition of third-party tools and certification frameworks.	 From Q4 2026

*Project timelines are subject to change.



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Thank you.

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Reporting claims

13:00 – 14:30



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Introduction

- We'll explore what are the appropriate reporting claims associated with the multi-statement model
 - Matthew Brander will present on recent research regarding claims
- From the AMI white paper on the principle of accuracy: "Quantification methods and data should be appropriate to support intended claims. Ensure that any claims based on the reported data are accurate and not misrepresentative. For example, emission reduction claims should be based on methods designed to quantify emission reductions."

Proposal for allowable claims based on market-based criteria

Market-based Criteria and Allowable Claims

The combinations of different criteria/requirements (left-hand side of table) determine the truth/falsity of different claims (right-hand side of table)

	Criteria/Requirements						Allowable Claims/Interpretations				
	a.	b.	c.	d.	e.		A.	B.	C.	D.	E.
	Purchase of commodity	Purchase of emission attributes	Segregated physical delivery	Deliverability from shared activity pool	Additionality (at aggregate market-level)		"We purchase commodity A"	"We physically use commodity A"	"We matched our consumption with attributes from deliverable supply"	"We matched our consumption with attributes from non-deliverable supply"	"We have caused an increase in supply of commodity A"
1.	✓	X	X	X	X		✓	X	X	X	X
2.	✓	✓	X	X	X		✓	X	X	✓	X
3.	✓	✓	✓	X	X		✓	✓	✓	X	X
4.	✓	X	✓	X	X		✓	✓	X	X	X
5.	✓	✓	X	✓	X		✓	X	✓	X	X
6.	✓	✓	X	✓	✓		✓	X	✓	X	✓
7.	X	✓	X	X	X		X	X	X	✓	X
8.	X	✓	X	✓	X		X	X	✓	X	X
9.	X	✓	X	X	X		X	X	X	✓	X
10.	X	✓	X	X	✓		X	X	X	✓	✓

Notes on allowable claims based on market-based criteria

1. Making false claims may result in reputational or litigation risk. If a GHG accounting standard includes criteria/requirements for market-based accounting it is important to provide guidance on how the resulting disclosures should be interpreted, and the claims that are warranted.
2. ISEAL's [Sustainability Claims Good Practice Guide](#) entails that purchasing attributes from a deliverable activity pool does not warrant a 'use' claim, as mass balance does not warrant a claim that the end product contains the specific input in question.
3. The combinations of criteria/requirements in the table above are not exhaustive.
4. Combination 7. reflects the requirements in the GHG Protocol Scope 2 Standard (2015), which does not warrant purchasing, use, matching with attributes from deliverable supply, or impact claims.
5. Combination 8. reflects the requirements in the GHG Protocol's proposals for revising the Scope 2 Standard, which does not warrant purchasing, use, or impact claims.

Matching the table to statements and practical examples

	Criteria/Requirements						Allowable Claims/Interpretations					also contributed to emission reduction of x globally?"		Example
	a.	b.	c.	d.	e.		A.	B.	C.	D.	E.			
	Purchase of commodity	Purchase of emission attributes	Segregated physical delivery	Deliverability from shared activity pool	Additionality (at aggregate market-level)		"We purchase commodity A"	"We physically use commodity A"	"We matched our consumption with attributes from deliverable supply"	"We matched our consumption with attributes from non-deliverable supply"	"We have caused an increase in supply of commodity A"			
1.	✓	X	X	X	X		✓	X	X	X	X	1, Scope 3	All in cat. 1	
2.	✓	✓	X	X	X		✓	X	X	✓	X	1,2 Scope 2 MBM	RECs, GOO	
3.	✓	✓	✓	X	X		✓	✓	✓	X	X			
4.	✓	X	✓	X	X		✓	✓	X	X	X			
5.	✓	✓	X	✓	X		✓	X	✓	X	X			
6.	✓	✓	X	✓	✓		✓	X	✓	X	✓			
7.	X	✓	X	X	X		X	X	X	✓	X	2		
8.	X	✓	X	✓	X		X	X	✓	X	X	2		
9.	X	✓	X	X	X		X	X	X	✓	X	2		
10.	X	✓	X	X	✓		X	X	X	✓	✓	2	SAF RSB v4 refined drives new supply, not compliance volume Maritime Katalyst tokens	

also "contributed to emission reduction of x globally?"

Discussion questions

- Is the table on allowable claims accurate?
 - Are any columns/options missing or in need of edits?
 - Are the checkboxes in the cells accurate?
 - What about claims on avoided/reduced emissions?
- What claims should be allowed/are desirable for statement 2?
- What claims should be allowed/are desirable for statement 3?

Topic breakout: Statement 2 design

15:00 – 17:30



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Questions to answer for statement 2 (1/2)

- What is the theory of change for the statement?
- What if any role does additionality play for the statement?
- How would a contractual inventory look like in practice for scope 2? Does it match evolving scope 2 MBM requirements?
- How can this method include the lessons learned and avoid the challenges and critiques of the original scope 2 market-based method?
- Can the latest updates to the scope 2 market-based method (e.g. hourly matching, deliverability) be applied to other sectors?

Questions to answer for statement 2 (2/2)

- Can residual emission factors be developed and mandatorily used by all actors to avoid double counting?
- What are the appropriate calculation methods for the statement?
- How would a contractual inventory look like in practice for scope 1? How are contractual direct emissions claims communicated?
- How would a contractual inventory look like in practice for scope 3?
- Should emissions be used from the physical GHG inventory in cases where no market instruments are available to ensure completeness of this statement (e.g. for scope 3 category 1 where only limited market instruments exist)?
- What quantity of contractual instruments are eligible to be reported? (e.g. no more than the unit of activity reflected in physical inventory)
- What are the disclosure requirements for instruments, and can they be done in a way that allows affiliated programs to identify which aspects of reporting do or don't align with external requirements? (e.g. if another program does not allow book and claim certificates but they are allowed within statement 2 - can they be differentiated from other instruments?)

Expectations for the session today

- A few options for overall statement design are beginning to emerge. During this session we will seek to better define the design elements of those options to identify the strengths and weaknesses of each approach and as possible identify the preferred approach of the group
- The three broad design options being explored are:
 - Option 1: Scope 2 market-based method (2015) equivalent
 - Option 2: Scope 2 market-based method (2026 proposal) equivalent
 - As amended through 2026 consultation; to be further updated based on consultation feedback
 - The scope 2 market-based method with updates under consideration based on the “three pillars” research (time matching (hourly), deliverability, incrementality)
 - Option 3: Additionality-based safeguards
 - Expanded safeguards to attempt to ensure impacts

Reminder and context: three pillars research

- Broadly, the “three pillars” concept is defined within peer-reviewed energy systems research from groups such as the Princeton ZERO Lab, EPRI, TU Berlin, and others, which finds that corporate procurement of clean generation that meet temporal matching, deliverability, and incrementality requirements reduces system-level emissions.
- The specific definitions for these concepts vary, but generally
 - **Time matching** means that electricity consumed from the grid must be matched with the same amount of procured clean electricity in each hour
 - **Deliverability** means that it is plausible generation could reach consumption in a region
 - **Incrementality** is most variably defined but generally requires that a clean generation source is not older than a defined threshold

Other questions to answer: volume matching

- What quantity of contractual instruments are eligible to be reported? (e.g. no more than the unit of activity reflected in physical inventory)
- Proposed eligibility criteria:
 - Volume matching: The quantity of the activity represented by the market instrument shall not exceed the quantity (e.g., units, mass, volume) of the emission source that is in the physical inventory.

Other questions to answer: reporting and inclusions

- How would a contractual inventory look like in practice for scopes 1 and 3?
- Should emissions be used from the physical GHG inventory in cases where no market instruments are available to ensure completeness of this statement?
- Can residual emission factors be developed and mandatorily used by all actors to avoid double counting?

	What is reported when no market instruments are available	What is reported when market instruments are available and purchased	What is reported when market instruments are available and not purchased
Option 1	Copy from physical inventory	Adjusted inventory totals reflecting instruments	New inventory totals using residual emission factors
Option 2	Copy from physical inventory	Adjusted inventory totals reflecting instruments	Copy from physical inventory
Option 3	Nothing (i.e. only report selective line items)	Adjusted inventory totals reflecting instruments	Nothing
Option 4	Nothing (i.e. only report selective line items)	Adjusted inventory totals reflecting instruments	New inventory totals using residual emission factors

Other questions to answer: reporting transparency

- What are the disclosure requirements for instruments, and can they be done in a way that allows affiliated programs to identify which aspects of reporting do or don't align with external requirements? (e.g. if another program does not allow book and claim certificates but they are allowed within statement 2 - can they be differentiated from other instruments?)
- If flexibility is introduced around criteria and claims, how should variable claims be communicated?
 - Should reporting be divided into separate reporting elements within statement 2 to separate claims?
 - Should different claims coexist within the same reporting element?

Topic breakout: Statement 3 design

15:00 – 17:30



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Statement 3

- The purpose of the GHG impact statement is to provide quantification and reporting of the outcomes of corporate actions on climate change mitigation within or beyond an organization's value chain.
- GHG impacts (e.g. emission reductions or removals) are quantified by comparing observed emissions (determined using actual/ex-post measurements and monitoring data) to baseline emissions.

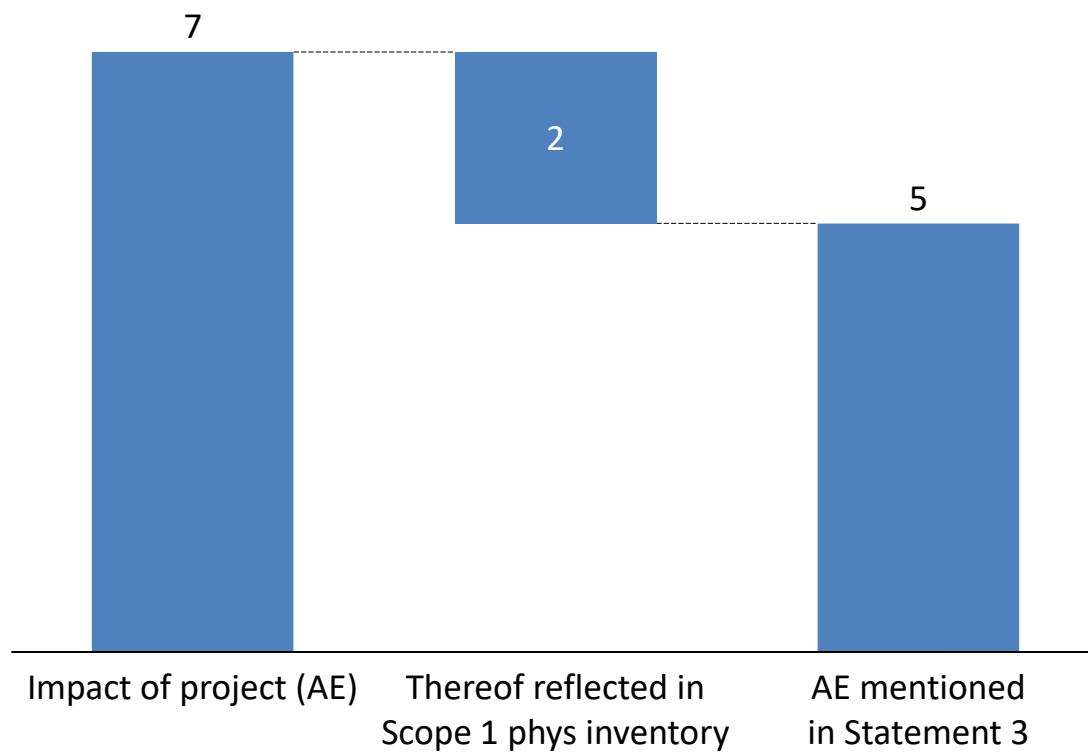
Eligibility criteria for statement 3

- Eligibility criteria to determine whether a GHG impact is reported in which of the five subcategories:
 1. Within organizational boundary impacts
 2. Value chain associated impacts
 3. Sector associated impacts
 4. Beyond value chain and sector (global) impacts
 5. GHG impacts of sold products (e.g. avoided emissions)

Eligibility criteria for statement 3 – within organizational boundary impacts

- The action shall be directly related to an emission source included in the reporting company's scope 1 inventory in their physical GHG inventory (Statement 1).
 - The same GHG emission, removal or impact (emission reduction or removal enhancement) shall not be reported in Statement 1 and Statement 3. One action may result in multiple impacts; different impacts may be reported in Statement 1 and Statement 3 as long as they are mutually exclusive.
 - Type 1: Action taken within the scope 1 boundary; GHG impact(s) occurs outside the scope 1 boundary
 - Type 2: Emissions avoidance compared to baseline scenario does not appear in scope 1; may appear in statement 3 subject to statement 3 requirements
 - (Examples on the next slide)

Type 1 example



Corporate Standard, page 61

- When companies implement internal projects that reduce GHGs from their operations, the resulting reductions are usually captured in their inventory's boundaries. These reductions need not be reported separately unless they are sold, traded externally, or otherwise used as an offset or credit.
- However, some companies may be able to make changes to their own operations that result in GHG emissions changes at sources not included in their own inventory boundary, or not captured by comparing emissions changes over time. For example:
 - Substituting fossil fuel with waste-derived fuel that might otherwise be used as landfill or incinerated without energy recovery. Such substitution may have no direct effect on (or may even increase) a company's own GHG emissions. However, it could result in emissions reductions elsewhere by another organization, e.g., through avoiding landfill gas and fossil fuel use.
 - Installing an on-site power generation plant (e.g., a combined heat and power, or CHP, plant) that provides surplus electricity to other companies may increase a company's direct emissions, while displacing the consumption of grid electricity by the companies supplied. Any resulting emissions reductions at the plants where this electricity would have otherwise been produced will not be captured in the inventory of the company installing the on-site plant.
 - Substituting purchased grid electricity with an on-site power generation plant (e.g., CHP) may increase a company's direct GHG emissions, while reducing the GHG emissions associated with the generation of grid electricity. Depending on the GHG intensity and the supply structure of the electricity grid, this reduction may be over- or underestimated when merely comparing scope 2 emissions over time, if the latter are quantified using an average grid emission factor.

Eligibility criteria for statement 3 – value chain associated impacts

- The action shall be directly related to an emission source that is included in the company's value chain (scope 2 or scope 3 inventory) as part of their physical inventory (Statement 1). The emissions source may be included in the physical inventory as a component or subcomponent (e.g., same product purchased, service used).
- The action shall be located within the same sourcing or use region as the emission source in the physical inventory.
 - The same GHG emission, removal or impact (emission reduction or removal enhancement) shall not be reported in Statement 1 and Statement 3. One action may result in multiple impacts; different impacts may be reported in Statement 1 and Statement 3 as long as they are mutually exclusive.

Eligibility criteria for statement 3 – value chain associated impacts

Guidance: Companies should apply the sourcing and use region hierarchy in Table X [will refer to Tables 5 and 6 from AIM]. Companies may apply sector-specific guidance to define the sourcing or use region if available.

Table 5: Sourcing Region Hierarchy

Option #	Sourcing Region Boundary	Description
1	Sub-national region	When the company can demonstrate that the targeted (sub)component is produced within a specific subdivision of a country (e.g., state, province, or regulatory or economic zone).
2	Country of origin	When the company can demonstrate that the relevant (sub)component is produced in a specific country.
3	Broader than country of origin	When the country of origin cannot be identified, companies can set the sourcing region boundary at the next most granular level supported by available data, such as a region of economic integration or a defined common product market.

Use Region

Use regions can be determined based on the hierarchy outlined in Table 6 below.

Table 6: Use Region Hierarchy

Option #	Use Region Boundary	Description
1	Sub-national region that is relevant to the (sub)component and the intervention	When (sub)component use telemetry data is available, allowing the company to identify countries and sub-national regions of product use.
2	Country-level boundary	When the point-of-sale country is known.
3	Applicable multi-country region	When multi-country region point of sale is known (e.g., European union, AFTA).

Eligibility criteria for statement 3 – sector associated impacts

- Further input provided by TCAT

Eligibility criteria for statement 3 – beyond value chain and sector impacts

- Question: what should the eligibility criteria be? Are none needed?

Eligibility criteria for statement 3 – GHG impacts of sold products

- WBCSD Guidance on Avoided Emissions - Eligibility Gate 1
 - Additional context: "The Gate 1 requirements aim to ensure companies claiming AE are assessing and verifying their GHG emissions inventory and practice regular monitoring and reporting. These requirements are essential for mature companies. For newer or smaller companies, the only applicable requirement is disclosure of a recent GHG inventory, with the other practices mentioned below recommended as good practice to inform action as the company matures" (page 22).
- WBCSD Guidance on Avoided Emissions - Eligibility Gate 2
 - Additional context: "The Gate 2 requirements aim to ensure that companies only claim AE for solutions that are identified within one of the recognized taxonomies for sustainable activities and not directly associated with fossil fuels. If the company cannot prove this, the solution may still be eligible to pass Gate 2 by complying with the criteria outlined in Section 3.2.2" (page 27).
- WBCSD Guidance on Avoided Emissions - Eligibility Gate 3
 - Additional context: "A solution must be qualitatively assessed to determine that it meets the definitions of significant decarbonization and substantiated impact (see Table 3). Once the company has calculated the AE, they can then quantitatively validate the legitimacy of the solution's contribution" (page 29).

Which actions should be quantified and reported in statement 3?

- Option 1: Companies may select any actions
 - Option 2: Companies should evaluate all major actions they undertake that are expected to have significant impacts on climate change not captured in the GHG inventory, including mitigation actions intended to reduce emissions/increase removals, as well as other actions that have negative or mixed impacts emissions/removals.
 - Option 3: Differentiated by the level of maturity of corporate sustainability of the company
 - Other?
-
- Completeness principle
 - Include all relevant impacts and actions in the GHG report. Do not have biased (systematically incomplete) reporting based on the inclusion or exclusion of information.
 - The GHG accounting and reporting system should account for and report positive and negative elements (i.e., increases and decreases in emissions and removals) that occur within and outside the inventory boundary.
 - Avoid selectively reporting on only positive actions or positive impacts of actions. Both positive and negative actions and impacts should be reported, including increases and decreases in emissions/removals

GHG assessment boundary of each action

- Proposal: Include all significant GHG effects of the action in the GHG assessment boundary.
 - i.e. all significant systemwide/global positive and negative GHG impacts of the action.
 - Impacts may include direct/primary impacts as well as indirect/secondary impacts (if significant) such as life cycle impacts, avoided emissions, leakage, market-mediated (e.g. substitution and displacement) effects, and other impacts of actions that may fall beyond the boundaries of the reporting company's GHG inventory
 - Companies shall disclose and justify if any GHG impact is excluded from the GHG assessment boundary.

- References:
 - GHG Protocol Policy and Action Standard
 - GHG Protocol for Project Accounting
 - ISO 14064-2
 - WBCSD Avoided Emissions Guidance
 - Etc.

Time boundary for quantified GHG impacts

- Proposal:
 - Annual change in GHG emissions (and removals, if applicable) occurring in the reporting year quantified ex-post

Aggregation and disaggregation of GHG impacts

- How should quantified GHG impacts of multiple actions be aggregated and/or disaggregated?
 - Entity-level aggregation: Using consequential accounting for all mitigation interventions, all impacts across interventions can be aggregated [and tracked against the aggregate corporate contribution goals, if relevant] (GHGMI)
 - Disaggregation to be determined (e.g. by action, type of action, etc.)
 - Should aggregation across sub-categories be allowed at all?

Tracking progress over time

- Reference point for tracking progress
 - Options:
 1. No reference point
 - Supported by Gillenwater/Broekhoff (next slide)
 2. Physical GHG inventory
 3. Contractual GHG inventory
 4. Induced emissions (entity-level using marginal emission factors)
 - Supported by scope 2 consequential group (notes below)
 5. Other?
- Induced emissions: The Scope 2 consequential subgroup produced a draft proposal known as the “Marginal Impact Method” (MIM). The proposal outlined a framework for quantifying both the emissions induced by a company's electricity consumption and the emissions avoided through qualifying procurement actions, each calculated using marginal emission factors. While developed for the electricity sector, some members of the subgroup indicated that the underlying concepts could be generalized to other sectors, including using induced emissions as a reference point, marginal emission factors, and the netting of consumption and procurement impacts.

Tracking progress over time

Gillenwater and Broekhoff 2026

- 'As illustrated in Figure 5, a Physical Inventory statement supports the tracking of progress in achieving corporate reduction targets over time, aligned to global net zero sector pathways.
- Separately, a Mitigation Intervention statement can be used to track progress towards corporate annual and cumulative avoided emissions and enhanced removal contribution goals that are also established by recognition programs.
- Recognition programs may then choose to combine these metrics into an overall corporate performance score, depending on their objectives.
- Although both the Physical Inventory and Mitigation Intervention statements are quantified in units of tonnes of CO₂-eq., it is preferable that they not be added or netted, as they measure two different types of changes relative to different references and with different boundaries.
- Therefore, any combined scoring that corporate climate leadership recognition programs undertake should treat a combination as a unitless value (i.e., performance score) (Gillenwater, 2023c).

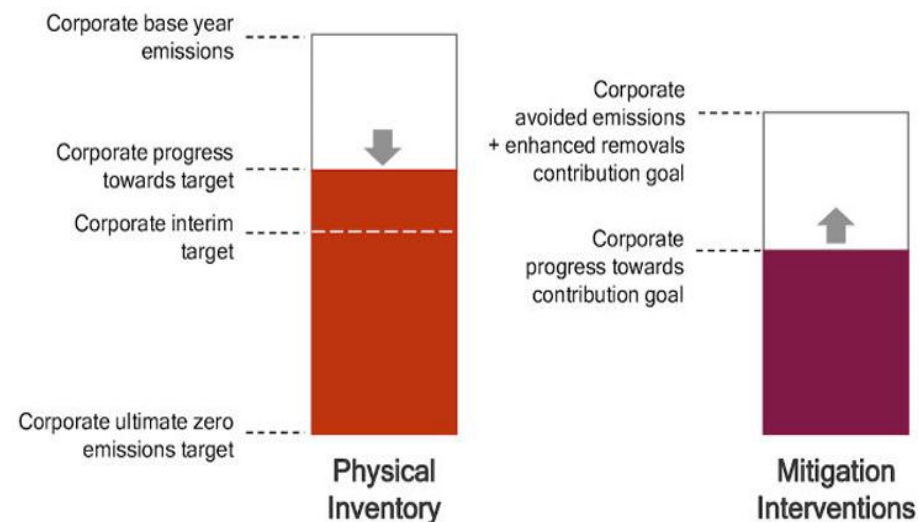


Figure 5. Illustration of multi-statement progress tracking with annual corporate inventory target and annual contribution goal³⁷

Thank you!

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