

Notes from the February TWG webinars

February 12, 2013

1. Overall Proposal

✓ Defining electricity

- We may not have demonstrated that electricity is uniquely different from other emission sources. With the other energy and fuel products given as examples here, we could envision markets developing where there is demand to distinguish with certificates (Ed Holt, contractor to EPA)
- This proposal reflects some fundamental misunderstandings about the electricity market (Todd Jones, CRS)
- Some of our previous discussions and input were not fully taken up in this proposal. This presentation emphasizes the difference between information and physical reality, but in doing this intellectual exercise, we're mocking things that are happening in the market. Just because it is distributed in a network does not make it so fundamentally different. When we consume a product, not just consuming the milk, water – we're always consuming an information flow, the characterization of the product (Pedro Faria, CDP)

✓ Need rhetorical consistency and clarity

- Cannot say some consumers are uniquely "paying for" green power
- Some argue that through de-emphasizing the contractual method, we would be having a negative market effect – but that is an assumption that should be examined empirically, as it varies by market. Nor does that mean that it is inherently good accounting (Michael Gillenwater, GHGMI)

✓ Need more detailed distinction between these two method categories

- Need to distinguish differences between buying energy, a supplier-specific emission rate and buying attributes. There's a difference between buying power delivery and buying attributes, and unbundling creates complexities. We group a variety of information sources together under a "contractual method," but there's not one way to do contractual tracking, different ways they're structured. Equating it with one way or another is probably problematic, our nomenclature needs to be more precise, especially when we go international (Michael Gillenwater, GHGMI)

✓ What does policy neutrality mean for this issue?

- In a situation where everyone is reporting, as long as the approach is comparable so the totals are accurate, that would meet the needs (Peggy Foran, The Climate Registry)

✓ Is dual reporting a significant departure?

- ✓ This process have emphasized the importance of being grounded in the *Corporate Standard* and *Scope 3 Standard* – but when this dual reporting option was first voiced in the summer, it was stated to represent a departure from the *Corporate Standard*. Is this no longer the case and it's not a significant departure, or is it offset by other statements there? (Ed Holt, contractor to EPA)

2. Challenges and critiques of dual reporting

Voiced concerns: Center for Resource Solutions (CRS), RECs International, Bergen Energi, ECOHZ, The Climate Registry, Ostfoldforskning, EKOenergy, Conservation Council of South Australia, 3Degrees, American Express, Alcoa, EPA

✓ **Dual reporting creates confusion**

- Which figure is the “real” one?
- Introduces confusion, as most stakeholders don’t understand the nuance of multiple categories (Celine Ruben-Salama, American Express)
- Two numbers decreases accuracy and consistency (Jared Braslawsky, RECs International)
- Dual reporting generates a lot of confusion among non-specialists. Required kWh reporting can bring some transparency (Pedro Grosshino, consultant at large)
- We’ve experienced dual reporting for years, we know companies have some problems with it. Generates some issues. If we want to get at some further transparency around “consumption,” separate reporting of kWh’s can do that more effectively than grid average. Having guidance could help companies understand these differences and narrative about this **is very important**. But we would prefer one clear number (Pedro Faria, CDP)

✓ **Contractual information represents a better form of data**

- As an aluminum company that uses a lot of electricity, we see this as a step backwards in terms of the standard. We have legal contractual agreements for our energy, and most of the rest of the standard prioritizes supplier-data as a higher tier. We would be reducing the accuracy of the reporting (Ken Martcheck, Alcoa)
- Isn’t contractual information the only information that can accurately allocate emissions, particularly when they are integrated into legal systems? (Hanne Raadal, Ostfoldforskning)

✓ **Framing of grid average is misleading**

- Not just a data quality issue, a “consumption” focus here is conceptually less accurate than clearly assign contractual attributes. It doesn’t reflect “what’s actually happening” or what consumers are actually receiving/ consuming. Many variables impact what generation sources serve companies at any given point in time: use of electricity by other customers, transmission constraints, etc. It is far more accurate to use contracts that to allocate emissions than to impose a statement that everyone receives the average. We lose consistency in reporting, along with levels of error in the approximation/error in grid average figures (Todd Jones, CRS)
- I don’t with agree with the logic that end-users have to report a “consumed” scope 2, as that number doesn’t reflect realities of electricity market. It’s an average grid generation figure being used as a proxy, often ignoring important electricity trades across markets, net importers/exporters (example: California imports 1/3rd of what it consumes). To get more accurate information, we would need to use contracts (Ian McGowan, 3Degrees)
- Why does this proposal emphasize the electron delivery? Is this too aggressive? (Peggy Foran, The Climate Registry)

✓ **Dual reporting does not give sufficient incentive for positive purchasing choices**

- With dual-reporting comment, having companies report both might undermine their motivation for purchasing a product – less clear to consumers or those reading their reports. It is a de-motivation in the market place to have non-green power buyers still reporting the aggregate benefits through grid average (Ed Holt, contractor to EPA)

- Worried that the two figures are not fully complementary – the option to use either total to set goals would undermine the drive to develop residual mix calculations, and undermine the willingness to take actions and reduce emissions over time especially when there is an option to set goals on grid average alone (Matt Clouse, EPA)
- Concerned and disappointed – many companies can pick up on the “free ride” offered by grid average, and it undermines willingness to support green power programs and important policy applications vis-à-vis carbon taxes for electricity. It also doesn’t deal with the double counting issue (Tim Kelly, Conservation Council of South Australia)
- Systems in Europe are well-designed for contractual accounting, but by requiring the use of grid average there is no incentive for companies in Norway to use/retain their own products and account for them contractually (Jared Braslawsky, RECs International)
- What does WRI think companies can do to influence the grid factor? (Alex Pennock, Green-e)
- I see a big concern if the influence the customer can have by expressing choice and influencing choice is made to be secondary. We already have instruments that are well-defined and residual mixes to complement them (Preben Munch, ECOHZ and Hans Petter Kildal, Bergen Energi)

3. Support for dual reporting as a workable solution

Voiced support and/or interest in exploring flexibility: AstraZeneca, Ecometrica, Institute of Environmental Management & Assessment (IEMA), Ernst & Young, Good Company, WSP Group, Greenhouse Gas Management Institute

✓ **Quantifying emissions from consuming electricity is core part of reality of electricity use**

- This perspective is at the core of greenhouse gas emissions—it’s about the truth in number, the reality and nature of existing infrastructure. If we’re going to be honest about how electricity works, electrons can’t be tracked. All of us part of this grid – we’re all part of the solution and the problem. It is important to know first what it is that we’re doing, important to share what actually grid emissions are and what is actually happening. There are entities who are more concerned about claims about the speaking the truth in what is actually going on. We need to separate those two issues. Claims and credit can be taken in many ways, but accounting means we have to speak the truth. Entities should highlight their leadership – first, about physical use, what emissions resulted from using electricity. This approach humbles us and works together. No single company can change the grid, we all do the part (Ivan Lee)

✓ **Provides a positive step in clarifying the complexity**

- Dual reporting moves things along on quite positively. Two figures alone might be problematic, but the narrative aspects are important, which gives the fuller picture in these very different situations and where the two figures come from. For me, it’s a complicated picture, inherently, and there’s always examples as to why one approach wouldn’t work (Nick Blyth, IEMA)
- The dual reporting has the potential to force us to lay out a more rigorous framework – but it is probably not going to cut it if we want to improve things. To really succeed here, we need another layer down of precision to lay this out (Michael Gillenwater, GHGMI)

✓ **Program flexibility would be critical**

- If there is dual reporting, if they are optional for the programs to decide as well as this flexibility for goal-setting, I think that is a good basis to progress. We can't pretend to solve all the issues at once – the amount of progress that this group has done, and that you have lead us, has been great. So, even if we have this dual reporting with flexibility, all the discussion and clarity and raising the questions is in itself a great achievement and will be useful for companies to do their reporting (Pedro Faria, CDP)

✓ **International context requires this type of transparency**

- This standard will be working internationally, and there is an ever-increasing focus on international trade including for energy and carbon-related instruments. In certain situations or certain geographic areas, there will clearly be a preference for a particular method. But we cannot get away from the complexity of electricity as a product. This proposal addresses that complexity and goes farther to resolve it. The narrative explanation of the two numbers is critical so people can understand this whole area better (Nick Blyth, IEMA)
- Grid average represents a more consistent basis for quantifying emissions across multiple locations. Requiring contractual accounting would mean defining and finding supplier-level emission factors across hundreds or thousands of facilities (Eric Christenson, WSP Group)

4. Stringency of contractual method treatment in a dual reporting framework

✓ **Should be optional where available** (WSP Group, AstraZeneca)

- If it is made optional, easy to fit into GHG Protocol precedent. But somewhat departing from GHG Protocol practices if the contractual method is made required (Michael Gillenwater, GHGMI)

✓ **Should be required**

- Grid data be a good comparison, programmed in based on location, for certain corporate data registries like Bloomberg terminals. But contractual reporting is more important and what consumers will find interesting, and should be required. Grid average could be separate, in some kind of baseline (Alex Pennock, CRS)
- Need to ensure there is transparency in what's disclosed. If we think both are important, both should be required, particularly to highlight companies who have been purchasing dirty power (Exelon)

5. Feedback on the viability of using grid average data

✓ **Need to define what we mean by grid average data**

- Products delivered and consumed not represented in most production-based grid average figures (Ian McGowan, 3Degrees)
- How do we define grid average? Need to establish hierarchy within this (Richard Sturman, AstraZeneca)
- Need a typology of circumstances by region, grid control area, etc. and the decision-making context. The type of sensitivity analysis shown here would be very difficult for global actors across multiple contexts (Joshua Skov, Good Company)
- Is this gross/net reporting in another form? (Eric Christensen, WSP Group)

- There may be a day in the future where people make claims on their kWh usage on the granular, time of use data. How does this relate to TCR Electric Power Sector Protocol? (Joshua Skov, Good Company)
- As a municipal utility, we are concerned about the grid average characterization here as representing "consumption." When you look at a given region, there are a significant number of balancing authorities, micro-regions, energy flows, in and out. Within a balancing authority, there are specific owned generation assets and specific contracts. Those complexities are important to consider when we use the term "grid emission factor," as it can cause us to think that it's a cleaner/dirtier than a different boundary. Fuel-switching can have different effects depending on whether it occurs in a clean or dirty region. But using broad regions, you would obscure that ability to assess whether a given activity is a reduction or increase in emissions. If you are going to require grid EF, it should be done closer to utility-specific basis rather than broad regional factors that are not updated frequently (Obadiah Bartholomy, Southern Municipal Utility District)
- Calculating grid averages can be challenging, on top of figuring out the loss of energy due to unstable grids. Having government sector involvement would be helpful, and having companies and autiros adopt the GHG Protocol methods to ensure we have broad and consistent use (Vijaykumar Mopuri, Rinfa)
- Using grid average data may not be idea as different grids are defined differently, and fundamentally, what does "the grid" mean? A national/regional boundary? We also need to clarify the difference between residual figures and grid average. There are also situations where one branch of a company produces energy which is contractually purchased by another branch of that company on the same grid. Does that count as "grid electricity"? The boundaries here can be confusing (Andie Stephens, The Carbon Trust)

✓ **Need to prioritize improving grid average emission factors**

- Age-old questions on how can we achieve better grid-average methods? We all complain, but nothing gets done. We push for incremental development of systems to improve contractual information, but it is as or more warranted with grid average. Smart grids are changing rapidly, and we as a community should think through that evolution and how to put in place systems that give us better information (Michael Gillenwater, GHGMI)

6. Separate reporting of electricity consumption activity data

✓ **Yes, this is valuable** (AstraZeneca, American Express, RECs International, CDP)

✓ **Why single out electricity?**

- Activity data disclosure not required for other scopes.
- Let reporting programs decide if this is required (Eric Christenson, WSP Group)
- Should aim for consistency with other source categories, so would we be arguing that the higher uncertainty in these quantification procedures is grounds for departure? (Michael Gillenwater, GHGMI)

✓ **May present challenges**

- Net-metered PV and other on-site actions may complicate what shows up in a required MWh figure (Joshua Skov, Good Company)