GHG Protocol Standards Update Process:

Topline Findings From Scope 2 Feedback

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GREENHOUSE GAS PROTOCOL

May 2, 2023

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Agenda

- Introduction from Pankaj Bhatia

- Greenhouse Gas Protocol standards update: background and process

- Topline findings from Scope 2 Guidance survey and proposal submissions

- Next steps

- Q&A

Greenhouse Gas Protocol

- Greenhouse Gas (GHG) Protocol standards and guidance enable companies, cities and countries to:
  - measure, manage and report greenhouse gas emissions from their operations and value chains
  - track progress toward their emissions targets

- GHG Protocol provides the world's most widely used greenhouse gas accounting standards for companies
  - >10,000 companies report to CDP using standards

- GHG Protocol develops accounting and reporting standards through inclusive global multi-stakeholder development processes that include representation from businesses, academia, governments, NGOs and civil society

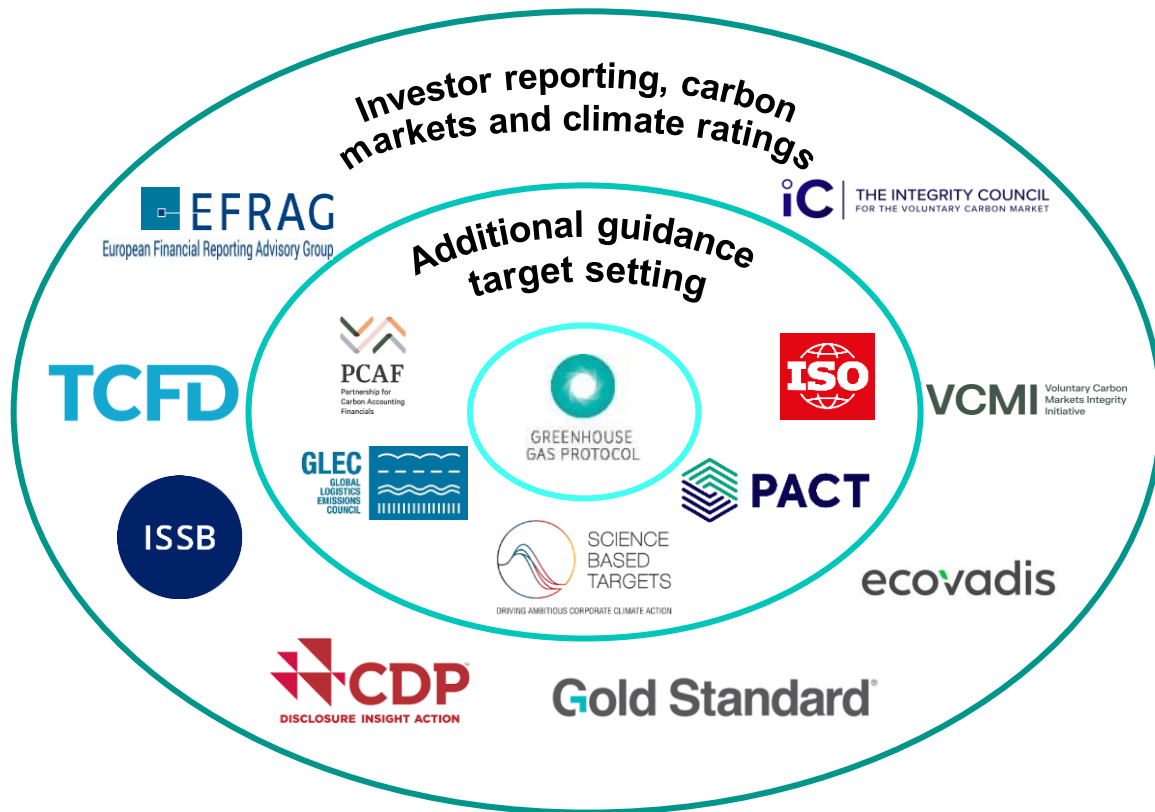# GHG Protocol is now foundation of most climate programs

NOT EXHAUSTIVE

Investor reporting, carbon markets and climate ratings

Additional guidance target setting

EFRAG — European Financial Reporting Advisory Group

iC | THE INTEGRITY COUNCIL FOR THE VOLUNTARY CARBON MARKET

TCFD

ISSB

PCAF — Partnership for Carbon Accounting Financials

GLEC — GLOBAL LOGISTICS EMISSIONS COUNCIL

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SCIENCE BASED TARGETS — DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

ISO

PACT

VCMI — Voluntary Carbon Markets Integrity Initiative

ecovadis

CDP — DISCLOSURE INSIGHT ACTION

Gold Standard

30
Standards, guidance documents, calculation tools, and online training materials released since 2004
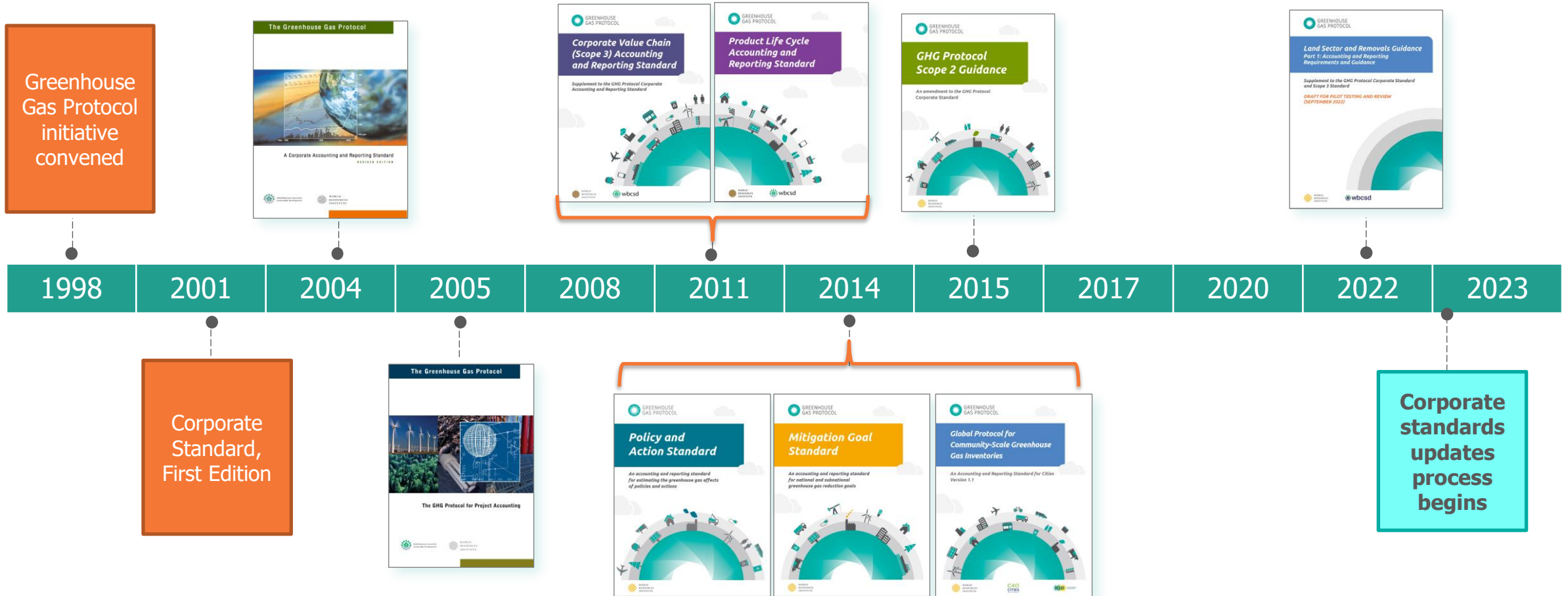
90%
of Fortune 500 companies using GHG Protocol's Standards to calculate emissions
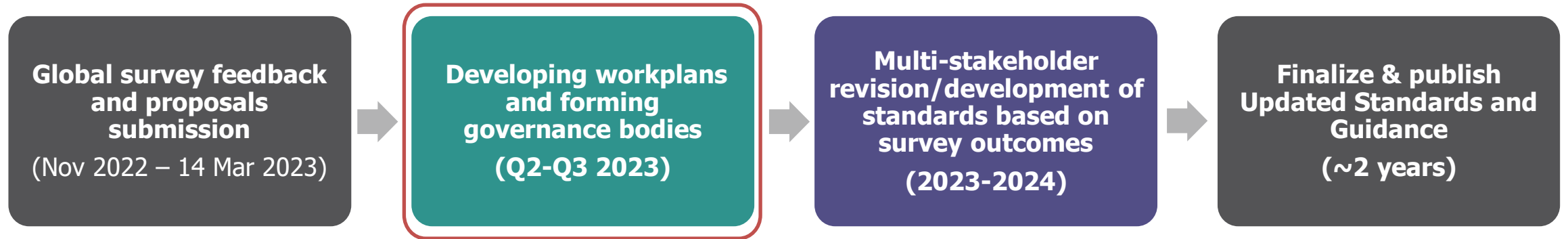
330+
Cities reporting to the CDP explicitly name the GHG Protocol's GPC as their primary emissions inventory methodology (2022)

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Sources: Press search, GHG Protocol website, CDP data (2022)

Historic revision of the GHG Protocol Corporate Standard(s) kicks off this year

| 1998 | 2001 | 2004 | 2005 | 2008 | 2011 | 2014 | 2015 | 2017 | 2020 | 2022 | 2023 |

Greenhouse Gas Protocol initiative convened

Corporate Standard, First Edition

Corporate standards updates process begins

Process to update the GHG Protocol Corporate Standards

We are here

| Global survey feedback and proposals submission (Nov 2022 – 14 Mar 2023) | → | Developing workplans and forming governance bodies (Q2-Q3 2023) | → | Multi-stakeholder revision/development of standards based on survey outcomes (2023-2024) | → | Finalize & publish Updated Standards and Guidance (~2 years) |

Scope 2 survey response profiles

- Company
- Consultant supporting with GHG reporting
- Industry group
- Non-profit organization/NGO/civil society
- Other
- Provider of data/product related to GHG reporting
- Academia/research
- Government institution
- GHG reporting program or initiative
- Electric grid operator
- International agency
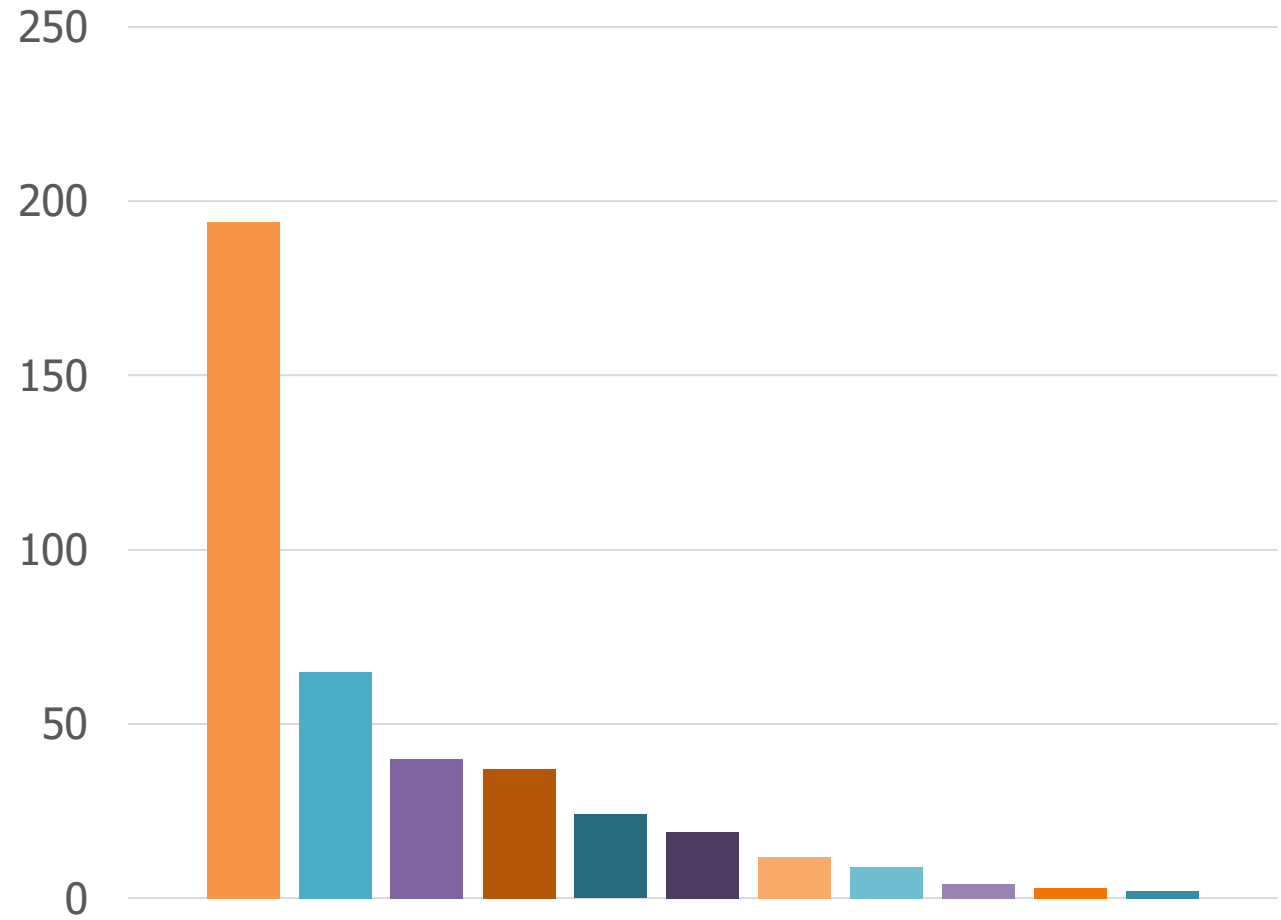
Key themes from Scope 2 survey

Main themes proposed within responses (in no order):

1. **Maintain dual reporting requirement** *or* **require a single reported number**

2. For both <u>data</u> requirements AND market-based <u>quality criteria</u> requirements:
   a) Stipulate **specific requirements** *or* **keep interpretation flexible**
   b) Create **granularity** *or* **keep broad**

3. **Introduce a third** emissions impact reporting requirement

4. Develop additional **guidance for new technologies**

5. **Align with policy, regulatory, and voluntary GHG disclosure programs**

1. Responses on **dual reporting**

Main themes proposed within responses (in no order):

   A.   **Maintain dual reporting** requirement

   B.   **Require reporting of a single number**

   B1. Report only **location-based (LB)**

   B2. Report only **market-based (MB)**
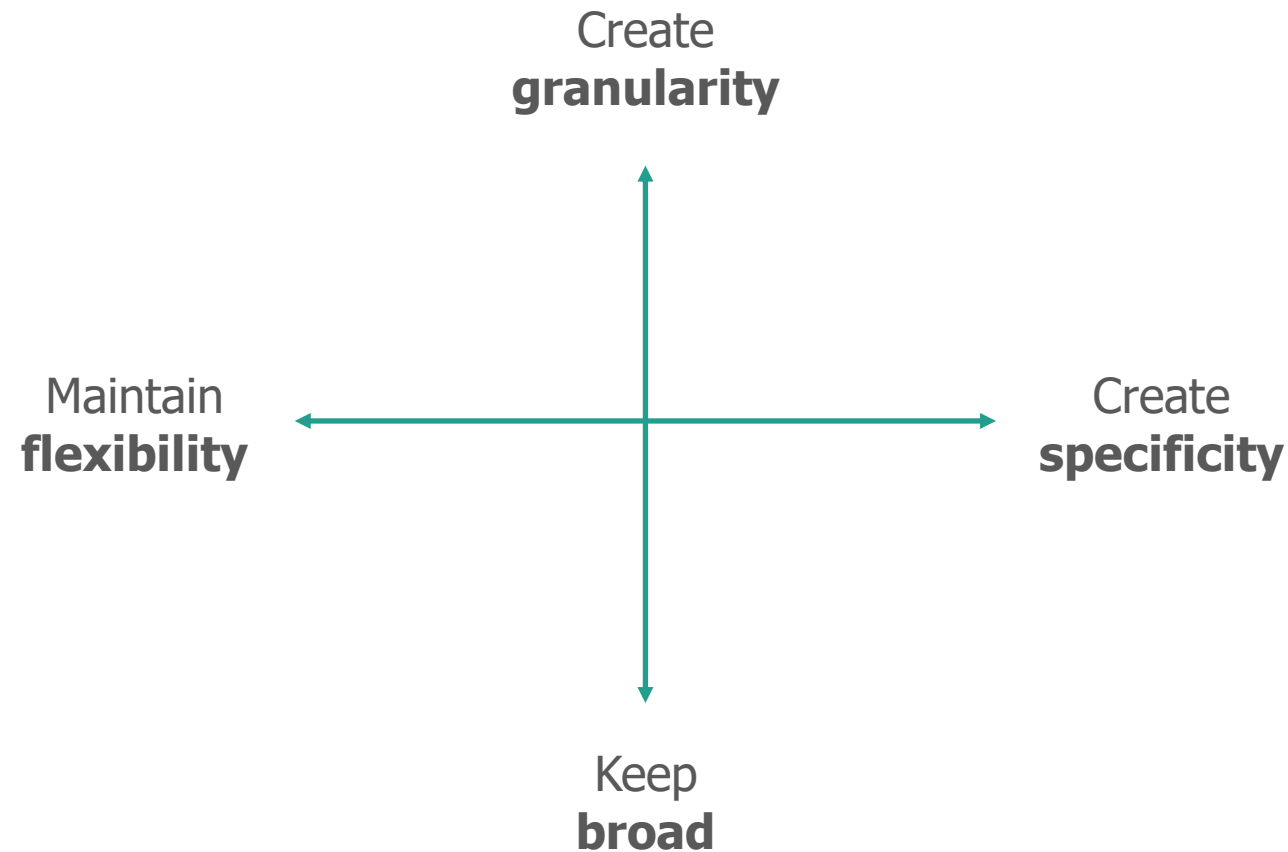
Most cited reasons include:

They show and do different things; both are important

Dual-reporting is confusing, it leads to double counting; many companies do not adhere to dual-reporting requirement

It is the most accurate method with respect to physically undifferentiable electricity; simplest

It is necessary to incentivize action; only way to track consumer choice; residual mix eliminates double counting

2. Responses on data (LB & MB) and quality criteria (MB) requirements

Create
granularity

Maintain
flexibility

Create
specificity

Keep
broad

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2a. Reponses on <u>specific</u> vs. <u>flexible</u> data and quality criteria requirements

	Most cited reasons include:
Stipulate **specific requirements**	• Enables comparison between organizations • Minimizes confusion in interpretation • Improves auditability • Could reduce greenwashing • Grid modeling exercises demonstrate emissions reductions linked when specificity is used
Maintain **flexibility in interpretation**	• Needs to be easy and accessible to all • Flexibility needed where data and procurement options are inconsistent • Specificity should be left to regulatory and programmatic GHG disclosure programs

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2b. Reponses on <u>granular</u> vs. <u>broad</u> data and quality criteria requirements

Most cited reasons include:

Create granularity	• More closely aligns with physical delivery of electricity
	
	• Reduces issue with double counting
	
	• Enables scaling of new clean technologies and emission reduction strategies
		• Empirical research indicates that procurement with:
		  a) hourly matching to consumption,
		  b) deliverability and
		  c) additionality
		may improve alignment of inventory and system-wide emissions[1]

Keep broad	• Doesn't preclude market participation from orgs with fewer resources • Needed where data and procurement options are unavailable or difficult to access	• Granularity could restrict market development and investment in grids that need it most, leading to equity concerns • Allows for greater avoided emissions impacts from dirtier grids as opposed to local, clean ones

[1]IEA, TU Berlin, and Princeton University

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3. Responses on introducing a new emissions impact reporting requirement

Most cited reasonings on:

<u>**Why**</u> report emissions impacts in scope 2:

- Aligns reduction of organization's emissions with a reduction in atmospheric emissions
- There is currently nowhere meaningful to report, and **it needs to go somewhere to be valued**

<u>**Where**</u> to report emissions impacts:

A. **Replace** LB and/or MB
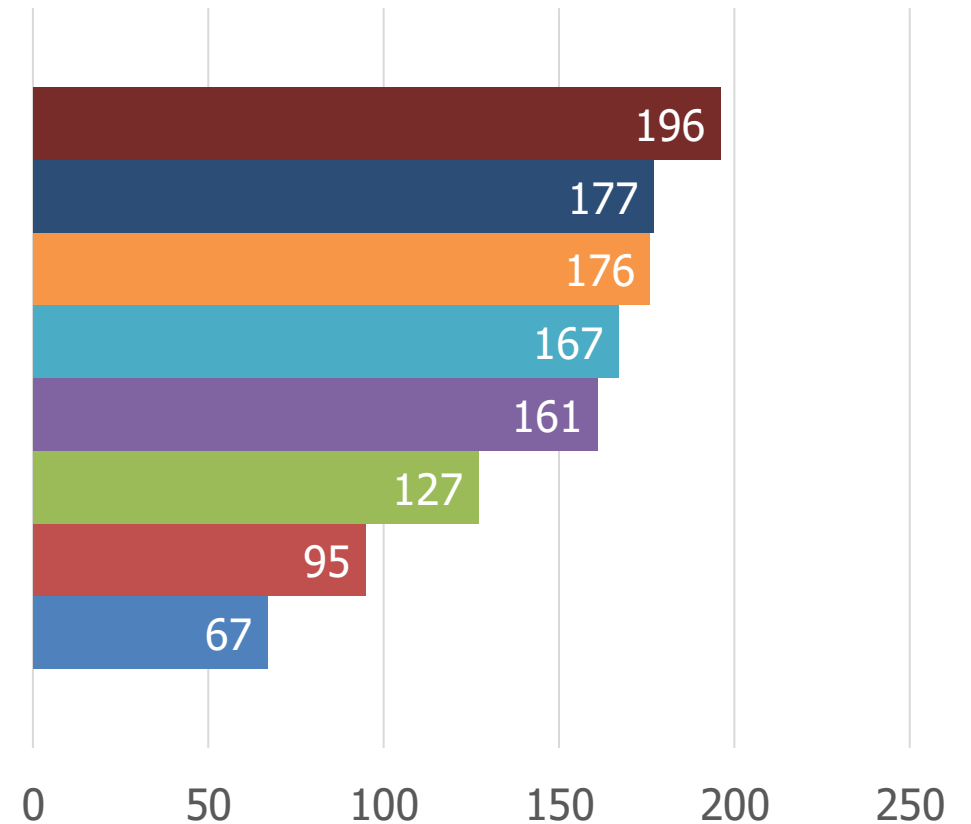B. **In addition to** LB and MB

<u>**How to implement**</u> reporting of emissions impacts:

- Need for sufficient marginal emission rate **data availability**
- **Compatibility with current inventory methods** and target-setting programs, such as SBTi, must be considered

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4. Development of additional guidance for specific technologies is needed

Which technologies would benefit from updates or additional guidance or clarification?

Legend:
- Energy storage technology
- More geographically granular grid emission data
- Hydrogen as an "energy carrier"
- More time-granular grid emissions data
- EV charging and grid integration
- Demand-side load management
- Advanced metering infrastructure
- Other

Bar chart values:
- 196
- 177
- 176
- 167
- 161
- 127
- 95
- 67

X-axis: 0, 50, 100, 150, 200, 250

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5. Policy, regulatory, and voluntary program alignment is needed

- Harmonization could reduce confusion and simplify reporting

- Key areas identified for potential harmonization include:
  - Climate-related financial reporting policy and standards

  - Low-carbon hydrogen regulations

  - Utility/state/federal procurement programs

  - Science-based Targets Initiative (SBTi), RE100, and other target/goal-setting programs
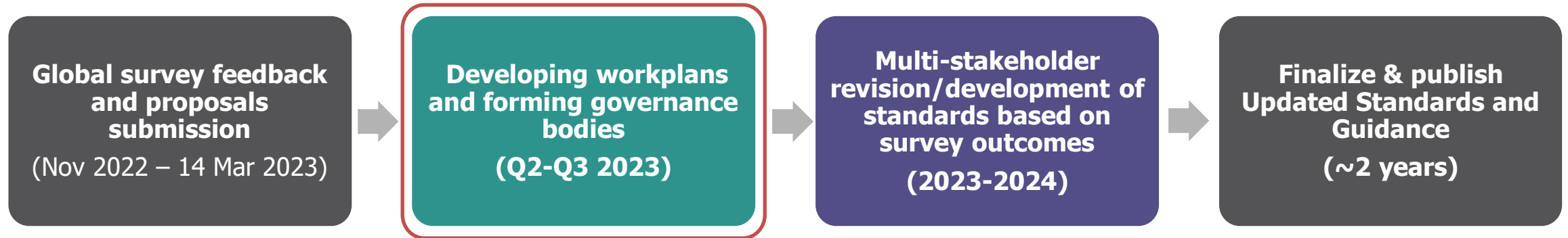
Key themes from Scope 2-related proposals

(in no order)

- Introduce more **granular data requirements** for LB and/or MB

- For MB, introduce more **precise quality criteria** for procurement of carbon-free electricity

- Introduce new requirement for **reporting of avoided emissions** in addition to (or in replacement of) LB and/or MB

- For MB, introduce **additionality or causality criteria**

- For MB, require **bundling** of EACs and delivered electricity

- Report **LB only where MB cannot be reported,** such as where reliable residual mix data is unavailable

- For MB, adjust order of operations to **reflect utility or supplier decarbonization** alongside voluntary procurement

- Develop guidance for **calculating residual mix** data

- Develop guidance on allocation of emissions from **waste-to-energy, IT, and other sector-specific accounting**

- Adopt a new framework that **mimics financial and cost accounting**

Next steps

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Interested in participating or receiving updates about future standard/guidance development or update processes? Please subscribe to the GHG Protocol email list to receive future notifications and updates.

Thank you

Contact information

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