Notes from June TWG webinars

June 17, 2013

1. Overall proposal

✓ **Method choice is a reasonable compromise**

- Need to maintain focus on flexibility for different national contexts and precedents already in place; this Guidance would help companies assess their grid and other reporting requirements, but still giving clarity (Takahiro Kitaura and Kazuno Hirofumi, Kansai Electric Power Company)

- Already similar choices of methods available in Japan, with power utility disclosure as well as national mixes made available. This approach can serve different reporting needs, like mandatory reporting requirements on scope 2 for large consumers (Shintaro Yokokawa, Federal of Electric Power Companies in Japan)

- Good assessment of pro's and con's of each method (Dominik Seebach, Oko Institute)

- Companies should still disclose why they've selected a given approach – will help in understanding context and improving accuracy overall (Karen Utt, TVA)

… but would prefer dual reporting <u>requirement</u>

- We were happy with dual reporting, with an overall favor towards gross/net reporting. Both numbers would more helpfully show how/where a company is claiming benefits (Richard Sturman, AstraZeneca)

- This would highlight supplier mixes as well as a national mix. Need to keep a focus on the major aims of GHG accounting, including support ecological performance of electricity generation (Dominik Seebach, Oko Institute)

- It is disappointing that this proposal makes dual reporting a recommendation but not a requirement. This represents a loss in transparency (Jolanka Nickerman, Google)

… but would prefer a <u>recommendation or preference shown towards contractual claims</u> method

- Craig Simmons, Best Foot Forward
- Karen Utt, TVA

✓ **Still significant problems with a contractual method**

- Where is the evidence base that contractual-based can drive the reduction of emissions? Driving changes in generation? Without this, we may be supporting potential for green washing. Also should maintain focus on efficiency (Nick Blyth, IEMA)

    - *We can look at voluntary action in aggregate that are causing reductions below some baseline – such as regulatory requirements. In the US, we do have data demonstrating that in the US, voluntary REC purchases are on the same order of* *magnitude as RECs used for utility Renewable Portfolio Standards (RPS) (Alex Pennock, CRS)*

- The location-based method has value in linking the consumption activities of a company with the generation sources that are actually meeting that demand. But market-based systems don't capture this relationship, and in fact permit trading across distinct grids (e.g., a Northeast company purchasing RECs from Texas). We have not clearly defined these boundaries (Gustav Beerel, B-Energy Group Consulting)

    - *Need more information on the relationship between different grids, particularly in distinguishing areas where there is full DC connection and integration (Andrea Smith, CDP- secondment to Defra)*

- Can we make some recommendation that companies disclose the evidence about how their purchase will be driving new renewable generation. In Europe, that claim of "making a difference" is not obvious, but it may be true with Green-e in the US? We want to ensure that it is a "genuine zero" emission figure in scope 2, not just shuffling (Matthew Brander, Ecometrica)

- If the residual mix data set is essential in eliminating double counting, where this residual grid mix data set available? Is it reliable and appropriate for scope 2 use? (Jolanka Nickerman, Google)

- We're talking about counting/double counting GHG emissions, not just renewable energy tracking. No Independent System Operators are certified to be fully accounting for this, as a method for accounting for scope 2. We'd have to create an entirely new layer to prevent double counting. That's being underestimated—there's no quick and easy method for this (Gustav Beerel, B-Energy Group Consulting)

✓ **Do NOT think method choice is acceptable, and prefer a requirement for "contractual hierarchy"** (i.e., Guidance stating that companies must quantify scope 2 using the contractual claims method)

- Ian McGowan, 3 degrees
- Matt Clouse, EPA
- Todd Jones and Alex Pennock, CRS
- Tim Kelly, Conservation Council of South Australia
- Markus Klimscheffskij, Grexel
- Preben Munch, ECOHZ
- Hanne Raadal, Ostfoldforskning

- Where markets can support customers purchasing RE and claiming benefits, the GHG accounting should reflect this. We need to get to a place where we are creating sustainable markets (Tim Kelly, Conservation Council of South Australia)

- You raised that the dual reporting approach was not viable; how are the concerns with dual reporting different from the concerns raised with a "method choice" approach? Could there be an option of supplemental reporting or a standardized disclosure of grid average in order to give that greater picture? (Matt Clouse, EPA)

- The Proposal aims to not "restrict" policy makers, but how would policy makers be restricted if this voluntary Guidance simply stated the contractual hierarchy preference? Policy makers could still go for the grid mix as legislative requirement or mandatory reporting, but there would be a preference for tracking mechanisms as a means to give more detailed information and support corporate decisions (Stefan Sanne, Bergen Energi)

2. Concerns with Proposal's double counting and incentives

✓ **This proposal facilitates and legitimizes double counting**

- When users have options on method, we are incentivizing cherry picking of the method that benefits them the most (Alex Pennock, CRS and Preben Munch, ECHOZ)

- We know there can be double counting from data limitations (i.e., lack of residual mix calculated in the US's eGRID dataset), but with this Proposal, we would have double counting based on company choices. But this is something we can control! The only way to solve double counting is to do contractual hierarchy, as a single flexible accounting method. Otherwise, we have companies reporting emission factors that they do not OWN. This inherently challenges ownership claims, supports double counting, less precise information and disincentivizes RE purchasing. The location-based method also does not recognize legally-enforceable claims and the case law that establishes contractual instruments as property rights (Todd Jones, CRS)

- When multiple companies are reporting low CO2 figures, each using different methods, how to evaluate differences in performance?

✓ **If residual mix is available, this should be used over "grid average"**

- This is very relevant in Europe, applying to Nordic exports of GO's. Not only does European regulation recommend this residual mix, but there is no consistent requirement on what a national grid average includes. Using the "grid average" here would be very misleading as to what the market is actually doing. (Preben Munch, ECOHZ and Markus Klimscheffskij, Grexel)

✓ **Potential for a "chilling effect" on innovation**

- This could have a chilling effect on innovation and what can be done, because we can't show these utility-level innovations and provide a way for customers to claim this (Karen Utt, TVA)

✓ **Inconsistent standards for quality evaluation**

- The Proposal makes these requirements around operational criteria for the contractual method, but makes no analogous requirements for the location-based method. Should we subject these methods to the same criteria? This is particularly apparent in the fact that most grid average emission factors do not represent consumption-based boundaries (Todd Jones, CRS)

- What's really important is that customers and users of the information understand what is a better, and more accurate, choice. It's healthy for large utility to disclose a high level of accuracy to their customers. We don't want customers saying "there's nothing that I can do about my emissions" (Karen Utt, TVA)

3. Questions/comments on implementation

- ✓ **Terminology**
  - Should clarify that RECs are ways to track/trade electricity, and the Guidance should not get hung up on distinguishing "stand-alone" RECs or noting certificates as a distinct, separate thing. They are traded anytime you have transactions (like PPAs and utility contracts) (Alex Pennock, CRS)
  - Guidance should be clear about the difference between a "reduction" shown in the inventory and mitigation. In addition, it should clarify how consumption is measured, and how exports/imports are accounted for in the location-based method (Mark Mondik, TerraPass)
  - We should be clear that scope 2 relates to the *distribution* of emissions, and these are different models. There's no "true" emissions from electricity – we either "embed" emission in electrons locationally or through certificates, which is more accurate (Todd Jones, CRS)
- ✓ **In practice, aren't these methods very similar?**
  - How do these two accounting systems differ? It comes down to those specific buyers of renewable generation who can report "zero," but for everyone else (in the absence of residual mixes, or where those mixes don't show much change), the two systems would result in the same emission factor – a grid average figure (Gustav Beerel, B-Energy Group Consulting)
- ✓ **Trusting "jurisdictions" or programs to harmonize this is problematic**
  - How do we define a "jurisdictional area"? In Europe, this is a country but also inclusive of European-wide disclosure systems (Markus Klimscheffskij, Grexel)
  - Jurisdictions overlap, and how would companies realistically navigate this? (Todd Jones, CRS)
  - How do we define "reflective of the market," and how are we going to enforce this? (Stefan Sanne, Bergen Energi)
  - This proposal aims for "jurisdictional harmonization," and we'd hope for that, but what if the method that's chosen by a jurisdiction is not the most accurate? (Karen Utt, TVA)
  - Even if you leave this questions up to jurisdictions to resolve, there is still confusion (Matt Clouse, EPA)
  - There is a challenge in giving companies more options when we have multiple reporting obligations already – DGSI, CDP, etc. Each of these may define its own requirements. If there is a *best* way to this, the GHG Protocol should define it rather than just acknowledging all the choices and potential confusion that is out there (Jennifer Dudgeon, CA Technologies)
- ✓ **Can we make the operational criteria based on a product category rule?**
  - Could enhance consistency (Craig Simmons, Best Foot Forward and Karen Utt, TVA)

✓ **The operational criteria may not be feasible with current information availability**

- We do get RECs, but the organization we go through doesn't have data on these operational criteria yet. There are also many sites we have where we never see a utility bill in the first place (Jennifer Dudgeon, CA Technologies)

- How do companies know if these operational criteria have been met? (Andrea Smith, CDP- secondment to Defra)

✓ **Would need significant guidance and education**

- If we make it a choice, we have to include guidance on how companies make this choice. Baseline data figures could help interpret what companies have actually done (Andrea Smith, CDP- secondment to Defra)

- This Guidance should include information on additionality, so that national and regional authorities who *do* want to include this in their policies can do so in a way that fits accounting needs. There is real concern at a government level on this, and more consistent information is really needed (Harry Manisty, Ernst & Young)

- Is the Guidance going to have country-specific case studies or short columns showing examples already driven by some countries? (Shintaro Yokokawa, Federal of Electric Power Companies in Japan)

✓ **How does this realistically apply to countries/regions with an emissions cap on the power sector?**

- Does this translate into the operational criteria clearly enough? We should be aiming for purchases that are additional to any sub-national cap, and additional to a utility or national RE target. We should be leading to reductions at an international level. So, is the "disclosure" around whether an allowance has been retired along with an RE purchase sufficient? How can the Guidance address this better? (Peter Shuey, Voluntary Carbon Markets Association)