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Scope 3 Technical Working Group Meeting

working draft, do not cite

Group A
Meeting 1
General approach

October 24th, 2024

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World Business Council for Sustainable Development

Agenda

- Attendance (5 min)
- Housekeeping (10 min)
- Problem statement (10 min)
- Suggested approach and plan (20 min)
- Break (5 min)
- Scope 3 inventory objectives (50 min)
  - Breakout discussions (30 min)
  - Group discussion (20 min)
- Next steps (5 min)
- Schedule (10 min)

Housekeeping

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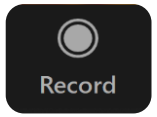
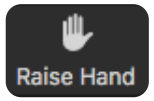
Welcome and Meeting information

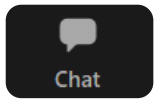


This meeting is recorded.



Please mute yourself by default and unmute when speaking

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 and confidentiality in TWG meetings

- We want to make **TWG meetings a safe space** – our discussions should be open, honest, challenging status quo, and 'think out of the box' – to get to the best possible results for GHG Protocol
- Always **be respectful**, despite controversial discussions on content
- TWG members should **not disclose any confidential information** of their employers, related to products, contracts, strategy, financials, compliance, etc.
- In TWG meetings, the **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."
  - Refer to https://www.chathamhouse.org/about-us/chatham-house-rule for more
- **Compliance and integrity** are key to maintaining the credibility of 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

Problem statement

Stakeholder feedback: survey

Between November 2022 and March 2023, the public was invited to provide feedback on the current suite of corporate standards and guidance, including the *Scope 3 Standard* and *Technical Guidance*, and provide suggestions for either maintaining current practices or developing updates and new or additional guidance*. The following relevant feedback has been received:

- Depending on data and method used, scope 3 inventories can lack reliability and comparability, results can be uncertain, and the use and mix of various methods in preparing the inventory can leads to lower accuracy and relevance of the results.
- Data quality and associated information can be low and often not disclosed.
- Data received from value chain partners and/or secondary sources can be unclear and unreliable.
- High quality data is not always accessible (due to costs, scale of operation, effort, etc.)
- More resources can go into data collection than into action.

Main groups of suggestions:

1. More explicit explanation in the standard that depending on data and methods used, the inventories should be interpreted with caution
2. Matching data collection efforts / quality with the priority of the activities and their emissions => create a prioritization guide
3. Data quality guidance, hierarchy, scoring
4. Contingency factors in calculations
5. Removing / phasing out / limiting certain data and/or methods
6. Creating consistent assumptions, secondary data and proxies

*Refer to the Detailed Survey Summary and Proposals Summary for further detail on feedback and proposals received from stakeholders.

Stakeholder feedback: other evidence

A stakeholder survey conducted by SBTi and published in 2023* provides an overview of the challenges that companies face in scope 3 accounting and reporting in the context of target setting. The survey shows that quality and actionability of inventories was identified by the respondents as a key barrier to developing robust baselines, tracking the impact of decarbonization, and achieving targets.

Similar findings were found in an overview of challenges in scope 3 accounting collected during the recent meeting of the independent group of corporate users of the *Scope 3 Standard* Scope 3 Peer Group**. They highlight data management and calculation methods as among the top challenges for scope 3 managers:

- Using data for actionable insights and progress measurement
- Collecting high-quality supplier emissions data
- Validating and ensuring accuracy of primary data
- Standardizing methodologies for data collection
- Improving scope 3 accounting methods

*SBTi "Catalyzing Value Chain Decarbonization: Corporate Survey Results" (2023), SBTi-The-Scope-3-challenge-survey-results.pdf (sciencebasedtargets.org)

**Refer to the Scope 3 Peer Group "The Scope 3 Strategy Day" slide deck, 2024. Demographics (squarespace.com)

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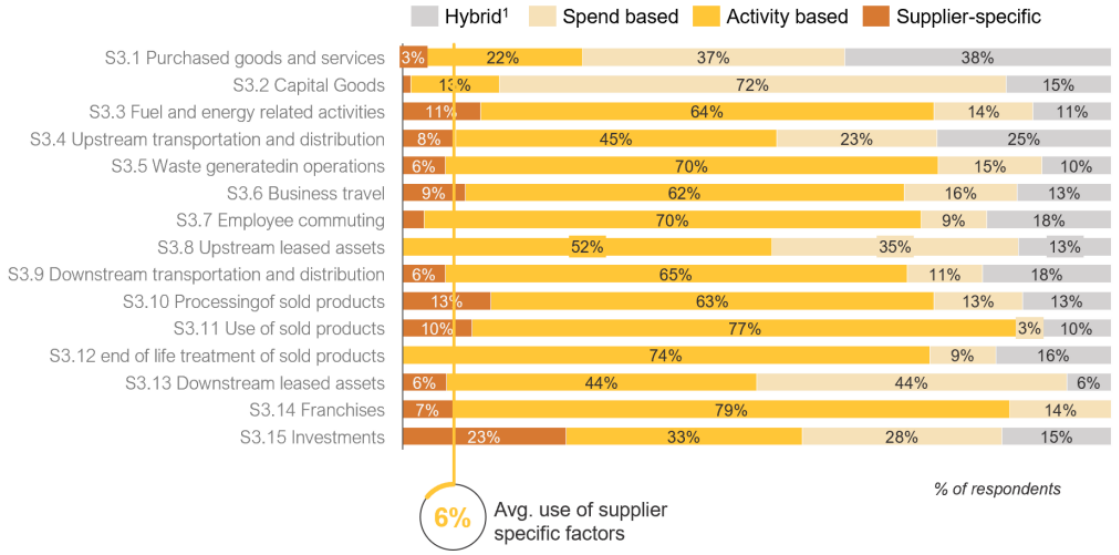
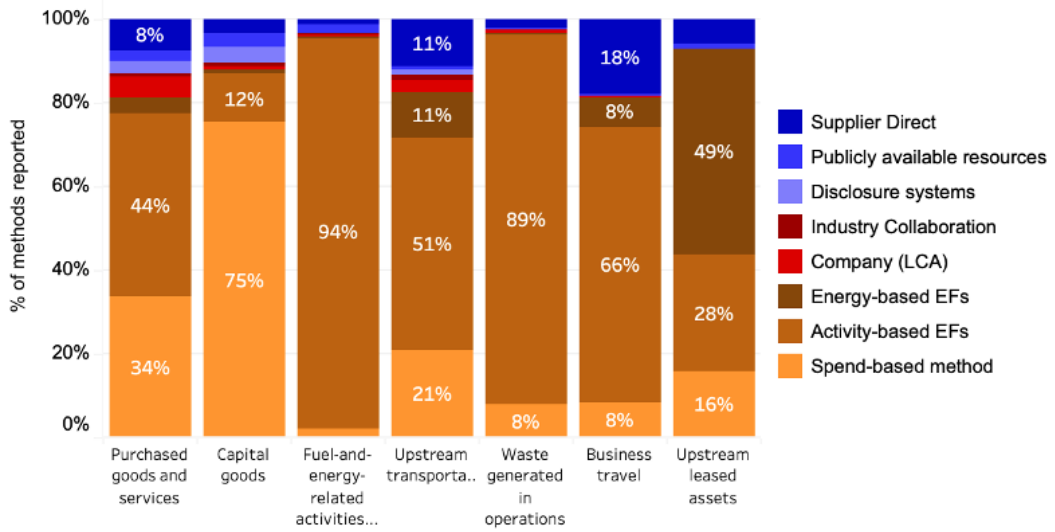
Validation of findings: additional evidence

Both the SBTi's survey*, and a study of a sample CDP report commissioned by WRI, show predominant use of secondary data for calculation of scope 3 emissions, and wide use of spend-based calculation methods.



1. A mix of spend, activity and supplier specific factors; 2: N=175; Source: SBTi corporate survey September 2022



*SBTi "Catalyzing Value Chain Decarbonization: Corporate Survey Results" (2023), SBTi-The-Scope-3-challenge-survey-results.pdf (sciencebasedtargets.org)

** Lloyd, S.M., Hadziosmanovic, M., Rahimi, K. Scope 1 and Scope 3 Literature Review and Practice Analysis, 2022

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Inventory quality as a central point (I)

1. Key challenge that users face is "**Using data for actionable insights and progress measurement**", referring to the output data of the calculations.
2. Other feedback refers to the ways the inventory data is created and communicated, and concerns about:
   - Input data
   - Presentation of the information

Suggested approach and plan

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Inventory quality as a central point (II)

Data quality has several dimensions*:

- *Intrinsic* data quality highlights that data has quality in its own right
- *Representational* and *accessibility* data quality refers to the role of the system of operation
- *Contextual data quality* signifies that data quality must be contextualized with the task and objective

Speaking of the inventory quality, the challenge boils down to:

1. Defining the inventory quality fit for purpose / objective (contextual)
2. Transparent reflection for the users of data if the inventory is fit for the purpose (accessibility)
3. Reflecting on which data quality may potentially lead to which inventory quality (representation)
4. Ensuring the standard's requirements corresponds to the minimum quality requirements (representation)

* Wang, R. Y., & Strong, D. M. (1996). Beyond Accuracy: What Data Quality Means to Data Consumers. *Journal of Management Information Systems*, *12*(4), 5–33.

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Approach: Breaking down the core challenge into its parts

Central challenge:

How to make the inventory more transparent, useful, and actionable?

Steps of addressing the challenge:

1. Identifying what scope 3 inventories are used for:
    - Purposes and uses of scope 3 inventory
    - What are the suitable levels of inventory quality for each purpose?
2. Define how to more effectively present / communicate the inventory's quality
3. Address how to define the inventory quality based on the input data
4. Consider whether and how to restrict inventory quality

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Group A: Inventory quality – scope of work

1. Identifying what scope 3 inventories are used for
   - Clarifying the relationship between data quality and various inventory objectives
2. Define how to more effectively present / communicate the inventory's quality
   - Consider additional requirements to enhance usability and transparency of scope 3 inventories
3. Address how to define the inventory quality based on the input data
   - Consider developing more prescriptive allocation rules
   - Consider developing a hierarchy of data and/or calculation methods
   - Consider additional guidance on transfer of data across the value chain and integration of product level data into scope 3 calculations (asynchronous or at the end of the group work)
4. Consider whether and how to restrict inventory quality
   - Consider constrains or minimum requirements to inventory quality
   - Consider requirement to inventory quality improvement over time
   - Consider requirement of hotspot quantification

For the detailed scope of work, refer to the standard revision process as detailed in section 5 of the Scope 3 SDP.

Workflow of Group A meetings: inventory quality

- Discussion Paper A.1 Inventory quality considers steps 1 and 2 (relationship between inventory use and quality, and overview of the options for effective communication of an inventory)
  - Background
  - Current GHG Protocol requirements
  - Overview of approaches in other frameworks
  - Summary of relevant research
  - Consideration of the three core options for effective communication of inventory
  - Preliminary decision-making criteria assessment

- Follow-up discussion will focus on the input data, and potential hierarchy of its quality or quality of connected calculation methods. A separate discussion paper (A.2) will be prepared based on the chosen approach.
- Potential restrictions and/or requirements to inventory quality will be considered as the last step. A separate discussion paper (A.3) will be prepared based on the chosen approach.

Workflow of Group A meetings: follow-up

In the last meetings of group A, a few general questions regarding emission factors will be considered in addition.

- Clarify the inclusion of emissions from capital goods across all scope 3 categories (including categories 1, 3, 4, 5, 6, 7, 8, 9, 13)
- Consider requiring the use of life cycle emission factors across categories where they are currently optional
- Consider harmonization of emissions factor types used across all categories

A separate discussion paper (A.4) will be prepared for the consideration of these topics.

Decision-Making Criteria

- Evaluating options: Describe 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 pros and minimize 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 solutions that meet all criteria.

Illustrative example	**Option A: Name**	**Option B: Name**	**Option C: Name**
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. For further details, refer to the full decision-making criteria included in the annex to the Governance Overview, available at https://ghgprotocol.org/our-governance.

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Meetings by topic

Meeting code	Date	Topic(s)
A.1	24 Oct 2024	Kick-off: problem statement and logic, objectives & data quality
A.2	11 Nov 2024	Approaches to making the inventory useful: options consideration and general choice
A.3	2 Dec 2024	Discussion of the details on the chosen option(s)
A.4	6 Jan 2025	Discussion on data types
A.5	27 Jan 2025	Refinement of allocation approach(es)
A.6	17 Feb 2025	Data types and hierarchy
A.7	10 Mar 2025	Data types and hierarchy, continued
A.8	31 Mar 2025	Minimum quality requirement: discussion of the needs and possibilities
A.9	21 Apr 2025	Requirement for improvement: discussion of the needs and possibilities
A.10	12 May 2025	Emission factors: alignment across the categories
A.11	2 Jun 2025	Emission factors, continued

Break: 5 min

Objectives Discussion

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Inventory objectives and quality

Scope 3 Standard, p. 24:

> *"Companies should collect data of sufficient quality to ensure that the inventory is relevant (i.e., that it appropriately reflects the GHG emissions of the company and serves the decision-making needs of users). Selection of data sources depends on a company's individual business goals."*

The objective or use of a scope 3 inventory often determines or dictates the necessary or recommended data quality. Thus, a conversation on inventory quality should incorporate considerations of this task: the objectives of the inventory in the first place.

While some of the objectives can be achieved with data of limited quality (e.g. hotspot identification, high-level risk identification, etc.), some objectives require an inventory of higher accuracy and quality to be effective. ***From that perspective, a required minimum inventory quality should be sufficient to meet the goals and objectives of inventory creation.***

Given that organizations may be pursuing different objectives in their practice of scope 3 inventory accounting, different levels of inventory quality might have its place in general practice.

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Current approach: Business goals served by a scope 3 inventory

Business goal	Description
Identify and understand risks and opportunities associated with value chain emissions	• Identify GHG-related risks in the value chain • Identify new market opportunities • Inform investment and procurement decisions
Identify GHG reduction opportunities, set reduction targets, and track performance	• Identify GHG "hot spots" and prioritize reduction efforts across the value chain • Set scope 3 GHG reduction targets • Quantify and report GHG performance over time
Engage value chain partners in GHG management	• Partner with suppliers, customers, and other companies in the value chain to achieve GHG reductions • Expand GHG accountability, transparency, and management in the supply chain • Enable greater transparency on companies' efforts to engage suppliers • Reduce energy use, costs, and risks in the supply chain and avoid future costs related to energy and emissions • Reduce costs through improved supply chain efficiency and reduction of material, resource, and energy use
Enhance stakeholder information and corporate reputation through public reporting	• Improve corporate reputation and accountability through public disclosure • Meet needs of stakeholders (e.g., investors, customers, civil society, governments), enhance stakeholder reputation, and improve stakeholder relationships through public disclosure of GHG emissions, progress toward GHG targets, and demonstration of environmental stewardship • Participate in government- and NGO-led GHG reporting and management programs to disclose GHG-related information

- Source: Scope 3 Standard, p. 12

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Group break-out rooms

Discussion questions:

- Do you agree that pursuing different objectives in scope 3 inventory calculation may require different quality of the inventory?

- Do the objectives of the scope 3 inventory need an update?
  - Change / reformulation
  - Removing objectives
  - Adding objectives

- What is the minimum quality of the inventory required for reaching each of the objectives?
  - Limited quality
  - Mid-quality
  - High quality

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Scope 3 inventory objectives: starting point for discussion

N	Objective type (Scope 3 Standard, p.12)	Draft minimum inventory quality required
1	Identify GHG-related risks in the value chain	Limited quality
2	Identify new market opportunities	Limited quality
3	Inform investment and procurement decisions	Mid- to high-quality
4	Identify GHG "hot spots" and prioritize reduction efforts across the value chain	Limited quality
5	Set scope 3 GHG reduction targets	Mid- to high-quality
6	Quantify and report GHG performance over time	Set by the respective reporting standard or program; as a minimum – limited quality is sufficient
7	Partner with suppliers, customers, and other companies in the value chain to achieve GHG reductions	Mid- to high-quality
8	Expand GHG accountability, transparency, and management in the supply chain	Mid- to high-quality
9	Enable greater transparency on companies' efforts to engage suppliers	Limited to mid-quality, trajectory for quality improvement
10	Reduce energy use, costs, and risks in the supply chain and avoid future costs related to energy and emissions	High quality
11	Reduce costs through improved supply chain efficiency and reduction of material, resource, and energy use	Mid- to high-quality
12	Improve corporate reputation and accountability through public disclosure	Limited to mid-quality
13	Meet needs of stakeholders (e.g., investors, customers, civil society, governments), enhance stakeholder reputation	Mid- to high-quality
14	Improve stakeholder relationships through public disclosure of GHG emissions, progress toward GHG targets, and demonstration of environmental stewardship	Limited to mid-quality, trajectory for quality improvement
15	Participate in government- and NGO-led GHG reporting and management programs to disclose GHG-related information	Set by the respective reporting standard or program; as a minimum – limited quality is sufficient

Next Steps

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Next steps

Next meeting on November 14

- GHG Protocol Secretariat:
  - Distribute the recording (by Oct 25)
  - Distribute the asynchronous contribution form (by Oct 25)*
  - Distribute the feedback form (by Oct 25)
  - Prepare and distribute minutes of the meeting (by Oct 31)
  - Summarize the scope 3 inventory objectives update (by Oct 31)
  - Prepare asynchronous contribution summary (by Nov 14)
- TWG members:
  - Provide feedback (by Nov 1)
  - Provide asynchronous contribution (by Nov 1)
  - Review the objectives summary and provide feedback (by Nov 7)

*the form is sent prior to the meeting to those who informed of absence

Time Planning

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Meeting dates and times (subject to change)

Group A						
Meeting	**Date**	**Time**				
1*	Oct 17, 2024 | Thu	06:00 PT	09:00 ET	15:00 CET	21:00 CST	00:00 AET
A.1	Oct 24, 2024 | Thu	06:00 PT	09:00 ET	15:00 CET	21:00 CST	00:00 AET
A.2	Nov 14, 2024 | Thu	06:00 PT	09:00 ET	15:00 CET	22:00 CST	01:00 AET
A.3	Dec 05, 2024 | Thu	*14:00 PT*	*17:00 ET*	*23:00 CET*	*06:00 CST*	*09:00 AET*
A.4	Jan 09, 2025 | Thu	06:00 PT	09:00 ET	15:00 CET	22:00 CST	01:00 AET
A.5	Jan 30, 2025 | Thu	06:00 PT	09:00 ET	15:00 CET	22:00 CST	01:00 AET
A.6	Feb 20, 2025 | Thu	*14:00 PT*	*17:00 ET*	*23:00 CET*	*06:00 CST*	*09:00 AET*
A.7	Mar 13, 2025 | Thu	06:00 PT	09:00 ET	14:00 CET	21:00 CST	00:00 AET
A.8	Apr 03, 2025 | Thu	06:00 PT	09:00 ET	15:00 CET	21:00 CST	00:00 AET
A.9	Apr 24, 2025 | Thu	*15:00 PT*	*18:00 ET*	*00:00 CET*	*06:00 CST*	*08:00 AET*
A.10	May 15, 2025 | Thu	06:00 PT	09:00 ET	15:00 CET	21:00 CST	23:00 AET
A.11	Jun 05, 2025 | Thu	06:00 PT	09:00 ET	15:00 CET	21:00 CST	23:00 AET
2*	Jun 26, 2025 | Thu	06:00 PT	09:00 ET	15:00 CET	21:00 CST	23:00 AET
		3	***5 (+2)***	***6***	***3***	***1***

* Full Scope 3 TWG meeting; all other meetings reflect subgroup meetings. ** Alternative time(s) to be confirmed based on final assessment with TWG members and considering the goals detailed on slide 11 regarding convenience and inclusion.

Way of working: Meeting-times strive to be convenient and inclusive

- **'Reasonable'** meeting hours are defined as **6am to 10pm**
- **Goal 1: maximize comfortable meeting hours for as many TWG members as possible**, over the course of the Standard setting/revision process
- **Goal 2: do not systematically place some members into uncomfortable working hours**

  - Would a shift one hour later be preferrable?
  - Would a shift one hour earlier be preferrable?
  - Is alternating 1 in 3 meetings cadence adequate?
  - Should alternate meeting time be different?

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Thank you!

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