

Scope 2 TWG Meeting Minutes

Meeting number 2

Date: 06 November 2024

Time: 09:00 – 11:00 ET

Location: "Virtual" via Zoom

Attendees

Technical Working Group Members

1. Simone Accornero, Flexidao
2. Enam Akoetey-Eyiah, I-TRACK Standard Foundation
3. Avi Allison, Microsoft
4. Priya Barua, Clean Energy Buyers Alliance
5. Jessica Cohen, Constellation Energy Corporation
6. James Critchfield, United States Environmental Protection Agency
7. Killian Daly, EnergyTag
8. Abhilash Desu, Science Based Targets Initiative (SBTi)
9. Pengfei Fan, China Electric Power Planning & Engineering Institute (EPPEI)
10. Neil Fisher, The NorthBridge Group
11. Aileen Garnett, Genesis Energy Limited
12. Andrew Glumac, CDP
13. Peggy Kellen, Center for Resource Solutions
14. Emma Konet, Tierra Climate
15. Matthew Konieczny, Watershed
16. Holly Lahd, Center for Green Market Activation
17. Stephen Lamm, Bloom Energy
18. Erik Landry, GRESB
19. Lissy Langer, Technical University of Denmark (DTU)
20. Irina Lazzerini, United Nations Development Programme (UNDP)
21. Kelly Lichter, PepsiCo
22. Yiwen Qiu
23. Henry Richardson, WattTime
24. Wilson Ricks, Princeton University
25. Abhishek Shivakumar, TransitionZero
26. Alexandra Styles, HIR Hamburg Institut Research
27. Devon Swezey, Google
28. Kae Takase, Renewable Energy Institute
29. Linda Wamune, Energy Peace Partners
30. Sophia Wang, Gilead Sciences
31. Paulo Zanardi, GSS Carbon
32. Svend Hansen, Ørsted
33. Stuti Dubey, D-REC Foundation
34. Charles Cannon, RMI
35. Gregory Miller, Singularity Energy
36. Alex Perera, WRI
37. Stephen Buskie, WBCSD

Guests

None present

GHG Protocol Secretariat

1. Kyla Aiuto
2. Elliott Engemann
3. Chelsea Gillis
4. Michael Macrae

Documents referenced

1. Discussion Paper 1: Changes to the Required Reporting Methods
2. Survey #1: Changes to the Required Reporting Methods

Item	Topic and Summary	Outcomes
1	<p><i>Welcome</i></p> <p>The Secretariat welcomed attendees, reviewed the agenda, and outlined the meeting's objective to discuss initial TWG perspectives on how proposed options align with the Decision-Making Criteria, without intending to reach conclusions on which option(s) to move forward.</p>	N/A
2	<p><i>Objectives</i></p> <p>The Secretariat provided level-setting context on the differences between inventory and project accounting methodologies, and objectives and business goals for inventory accounting stated within the Scope 2 Guidance.</p>	N/A
3	<p><i>Options A-D: Changes to the required reporting methods</i></p> <p>The Secretariat provided a brief description of the general structures of the four main options proposed by stakeholders for updating the combination of required and recommended reporting methods.</p>	N/A
4	<p><i>Secretariat assessment</i></p> <p>The Secretariat briefly reviewed their own assessment of the four options using the Decision-Making Criteria as the framework for assessing each option. The Secretariat reiterated that this assessment is meant to serve as a starting point for TWG discussion only and does not represent any recommendation or conclusions.</p>	N/A
5	<p><i>TWG member feedback discussion</i></p> <p>TWG members discussed their perspectives on each option for changing the required reporting methods.</p>	<ul style="list-style-type: none"> • The Secretariat confirmed that more detailed discussions on the role of project accounting relative to scope 2 inventory methods will be addressed in future meetings. • The Secretariat clarified that revisions to the Project Protocol and the <i>Guidelines for Quantifying GHG Reductions from Grid-Connected Electricity Projects</i> is out-of-scope for the Scope 2 TWG; however additional revision topics may be scoped for future GHG Protocol revision processes.
6	<p><i>Questions from discussion paper</i></p> <p>The Secretariat continued facilitating discussion on TWG feedback to the survey results. The Secretariat concluded discussion by reiterating that this meeting served as a starting point and that after future discussions on proposed</p>	N/A

	technical improvements to the location- and market-based methods, and the role of project accounting, the TWG would revisit the reporting requirements to develop a recommendation for the ISB.	
7	<p>Next steps</p> <p>The Secretariat outlined the timeframe for sharing the discussion paper and for members to complete the Microsoft Forms Survey prior to the next meeting. The Secretariat also noted the date/time for the next meeting.</p>	<p>TWG members were requested to review the next section of the discussion paper, 'Location-based method technical improvements,' and completion of Survey #2 by Friday, November 15th at 17:00 EST.</p>

Summary of discussion and outcomes

1. Welcome

- The Secretariat welcomed attendees, reviewed meeting logistics, and confirmed that minutes and resources would be shared post-call. The agenda focused on gathering feedback on proposed required reporting method options, with a request for concise contributions to ensure all perspectives were heard.
- The Secretariat clarified the meeting goals: to gather initial TWG member perspectives without forming conclusions on options. The Secretariat emphasized assessing alignment with Decision-Making Criteria, noting that conclusions require further details on technical improvements to location- and market-based methods.

Summary of discussion

N/A

Outcomes (e.g. recommendations, options)

N/A

2. Objectives

- The Secretariat level-set by beginning with the current objectives of the two existing and complementary GHG Protocol standards: Corporate Standard and the Project Protocol. Both standards were published between 20-25 years ago and were designed to be used together and have equal footing, but for different uses.
- The Scope 2 TWG is focused on updates to the Scope 2 Guidance, which is part of the Corporate Standard Suite of inventory methodologies. The Secretariat presented content illustrating that inventory and project accounting methodologies are separate and distinct due to different boundaries and are incompatible to be combined or netted. The Secretariat reiterated text from the Scope 2 Guidance on the current objectives and business goals of the Scope 2 Guidance, as well as context from the Scope 2 Guidance that requires any reporting of avoided emissions to be disclosed separately from the scopes. The Secretariat confirmed the scope of work as detailed in the Standard Development Plan focuses on revisions to the scope 2 inventory methodologies, while seeking to further clarify the relationship between the scope 2 inventory standards and the Guidelines for Quantifying GHG Reductions from Grid-Connected Electricity Projects.

Summary of discussion

N/A

Outcomes (e.g. recommendations, options)

N/A

3. Options A-D: Changes to the required reporting methods

- The meeting transitioned to a review of the four main combinations of required reporting methods that were proposed by stakeholders during the feedback solicitation process in 2022-2023.
- The Secretariat notes that GHGP standards use “shall” “should” and “may” statements to describe requirements, recommendations, and optional information, respectively.

Summary of discussion

- TWG members asked for clarity on whether the project-based method would be treated as completely distinct from scope 2, or whether proposals for a complete replacement of the market-based method with a measure of impacts using the project-based method would be evaluated. The Secretariat clarified that within this meeting, there is intentional focus on reporting and disclosure frameworks based on the established separation of inventory and project-based reporting; however, the technical details of replacing the market-based method with a measure of impacts (using a project-based method) would be discussed in forthcoming meetings related to market-based technical improvements and project accounting, with additional and forthcoming sections of the discussion paper covering these topics.

Outcomes (e.g. recommendations, options)

N/A

4. Secretariat’s assessment

- The Secretariat shared a preliminary assessment of the four options for changes to the required reporting methods using the Decision-Making Criteria. The Secretariat reiterated that this assessment is meant to be used as a starting point for generating discussion with the TWG and does not indicate any recommendations or conclusions.

Summary of discussion

N/A

Outcomes (e.g. recommendations, options)

N/A

5. Survey results

- The meeting opened into TWG member discussion, including comments on the Secretariat’s assessment compared to the TWG members’ assessments (polled through the supplementary survey) for Options A, B, C and D. Roughly 15 minutes was spent on each option.

Summary of discussion

- Option A
 - Members sought clarification on the differences between Options A and D, with the Secretariat explaining that Option A maintains the status quo with dual reporting and optional project accounting, while Option D elevates project accounting to a “should” or “shall” level. Some members noted they viewed “may” and “should” as similar in contrast to the binding nature of “shall.”
 - Members raised concerns about double-claim issues if the dual reporting requirement is not followed, suggesting that legal claims on attributes should come first in the emission factor hierarchy. Members also inquired if it is within scope to provide target-setting guidance on selecting either the location- or market-based methods or requiring dual reporting for two targets; the Secretariat confirmed this will be discussed.
 - The question of if dual reporting alone provides sufficient information for optimal decision-making or if project-based methods are also necessary to inform impactful investments was discussed including an observation that only the most sophisticated companies engage with the Project Protocol, implying limited applicability for most organizations.

- Questions were raised about whether principles of the Project Protocol can be upheld in the same context as the Corporate Standard, with the Secretariat noting differences in the principle definitions between the two standards. Some members expressed confusion about evaluating assessments based on both standards' principles.
- A consideration was proposed exploring how accounting influences corporate mitigation priorities with companies, while another suggested creating a list of preferred mitigation actions to clarify discussions on incentivized actions and methods.
- Option B
 - Concerns were raised about the feasibility of Option B, with a recommendation to change its feasibility rating to 'Mixed'. Members noted that many companies' default to grid-average emission rates due to a lack of precise data, essentially aligning with the location-based method. One member clarified that some proposals submitted to the GHG Protocol's Survey and Proposal request related to Option B did not suggest removing the grid-average rate from the market-based hierarchy and highlighted its importance for feasibility.
 - Suggestions were made to replace grid-average data with a fossil-fuel-only mix when residual mix data is unavailable, as this could avoid double counting non-fossil generation but might restrict companies from reflecting clean electricity in their residual mix, potentially requiring over-procurement. Another member suggested that clean energy in the residual mix should only count in a market-based inventory if an attribute has been explicitly procured.
 - Members discussed the general preference for maintaining the location-based method due to its simplicity and broad accessibility, especially given confusion surrounding the market-based method. It was noted that tracking the regions where energy attribute certificate (EAC) markets exist could be challenging and that climate disclosure regulations in some regions mandate location-based reporting.
 - A subset of CDP data was shared by TWG members on reporting practices, showing the number of companies using dual versus single reporting methods. Members noted that CDP's scoring in 2022 did not enforce dual reporting, though this has since changed, with updated data anticipated soon. It was also highlighted that a small number of companies consume the majority of energy reported in CDP data.
- Option C
 - TWG members expressed varying degrees of support or disinterest in this option primarily driven by its exclusion of the current market-based mechanisms or considerations related to project accounting assessments.
 - Clarity was requested on whether this option still relied on market-based mechanisms (i.e., EACs), but that the certificates would now only be reported in the context of reporting a project-based method. The Secretariat clarified that this option completely eliminates the market-based inventory method and thus eliminates the ability to report market-based instruments within an inventory. There was discussion on moving all market measures to outside of a GHG inventory and if this could be a clearer way to distinguish between the inventory and impacts from actions. A consideration was raised that the market-based method is about allocating emissions to reporting organizations and concerns were raised that exclusive reliance on project accounting may abdicate responsibility of companies reducing actual emissions. Questions were also raised on using EACs as offset instruments and potential issues with the EU legislative definition of the GO (i.e., EU's EAC) which requires the use for disclosing the origin of a unit of electricity and not for avoided emissions claims.
 - The current Project Protocol was discussed, including a perceived lack of specificity in its requirement to produce results that are comparable across projects. Doubt was raised regarding establishing any requirements to report project-based emission assessments without first providing technical revisions to that standard. Members did note its required usage may lead to more standardized and comparable adoption. It was expressed that there is difficulty in evaluating which methods to require without discussing the technical details.
 - It was noted that consistency with how other working groups treat market-based mechanisms is important, particularly the Actions and Market Instruments (AMI) TWG's evaluation of market-based mechanisms within scopes 1 and 3.

- Option C's ability to sufficiently support decision-making that drives climate action was discussed, with concerns noted that it may limit the use of EACs and discourage or prevent the use of power purchase agreements (PPAs). The role of PPAs was discussed along with their importance, and potential risks of mixing inventory and project-based accounting methods. Some members noted it could be too confusing if the project-based method were to be a way to show the benefits of PPAs. Further discussion included potential limited accessibility of PPAs for all organizations, and if the scope 2 market-based should be limited only account for PPAs.
- Option D
 - The Secretariat clarified that while Option A reflects the current optional usage of project accounting, Option D would elevate the method's role to make it recommended or required. Members raised concerns about the feasibility and complexity of implementing project accounting, including capturing negative effects, and noted that current standards lack the specificity to ensure comparability across projects. One member suggested that markets benefit from more information and that markets would respond positively to the added data from project-based emission impacts.
 - Concerns were voiced over the complexity and subjectivity of the GHG Protocol document *Guidelines for Quantifying GHG Reductions from Grid-Connected Electricity Projects*. One member mentioned that using this standard could introduce subjective choices in baselines and activities, challenging its connection with scope 2 inventories. Some stated that requiring project accounting could discourage participation, as they view most electricity buyers as lacking a direct causal relationship to emissions reductions. Others noted the practical difficulty of incorporating energy storage emissions, and inadvertently increase emissions due to congestion.
 - Some members suggested that the conversation on project accounting was being conflated with 'impact accounting', noting that while modeling future impacts doesn't suit scope 2 inventory accounting, it is important to account for actual past impacts. Some members stated that adding a third reporting requirement would make reporting too complex, as dual reporting is already challenging. It was suggested that the evaluations in Option D may favor data quantity over quality, potentially fragmenting decision-making and reducing coordinated emissions reductions.
 - Members questioned the necessity of mandating project accounting to improve transparency and requested clarification on whether the *Guidelines for Quantifying GHG Reductions from Grid-Connected Electricity Projects* are in-scope for revisions. The Secretariat confirmed that while revising these guidelines is out-of-scope, discussions may influence future updates. A summary on the interpretation of "project accounting" in the TWG context was requested due to multiple references to various standards and methodologies, such as the 2005 Project Protocol and electricity impact accounting.
 - Suggestions we're provided that target-setting standards like SBTi drive the adoption of project-based metrics, rather than requiring them within the scope 2 standards, and that criteria for EACs be reviewed without mandating full project accounting. Members discussed the auditability of project-based assessments, noting challenges due to reliance on assumptions rather than activity data. A proposal for dual reporting with optional project accounting was suggested to simplify implementation while allowing corporate impact reporting without distracting from the primary inventory reporting.
 - Many members agreed that a more in-depth technical discussion on project accounting is needed before making it a requirement, a session that is planned within the Scope 2 TWG workplan. It was also suggested that TWG members revisit the February 2023 proposals submitted to GHG Protocol, as these provide more detailed context on the options under discussion.

Outcomes (e.g. recommendations, options)

- The Secretariat confirmed that more detailed discussions on the role of project accounting and impact accounting relative to scope 2 inventory methods will be addressed in future meetings.

- The Secretariat clarified that revisions to the Project Protocol and the *Guidelines for Quantifying GHG Reductions from Grid-Connected Electricity Projects* is out-of-scope for the Scope 2 TWG; however additional revision topics may be scoped for future GHG Protocol revision processes.

6. Questions from discussion paper

- The meeting discussion moved to discussion questions from the paper, noting that several of them had already been discussed organically in the last section.

Summary of discussion

- TWG members commented on inherent tensions between feasibility and comparability for project accounting.
- It was also pointed out that if one of the goals of updates to the methods within the Scope 2 Guidance is to align more directly with impact, then neither the current location-based or market-based do this today.
- TWG members noted that it was important to recognize that within the 'Supporting programs built on GHG Protocol' criterion, programs have a strong circular relationship to the GHG Protocol, suggesting that programs will get built on whatever decisions are made in this process.
- The Secretariat concluded discussion by reiterating that this meeting served as a starting point. After future discussions on the proposed technical improvements to the location- and market-based methods, as well as a deeper discussion on project accounting, the TWG will revisit the reporting requirements in developing recommendations for the ISB.

Outcomes (e.g. recommendations, options)

N/A

7. Next steps

- The Secretariat concluded by talking through logistics for the next meeting:
 - The next meeting is on Nov 26th 5pm EST, in order to achieve time zone equity.
 - The discussion paper on technical improvements to the location-based method was shared with the TWG on Nov 7th.
 - Survey feedback related to the location-based discussion paper is due on Friday, November 15th, which has been moved up by one business day in order to facilitate the Secretariat's ability to process feedback in time for the following meeting.
- The Secretariat shared that meeting materials have begun to be posted publicly on the GHG Protocol website for external audiences.
- The Secretariat concluded the meeting.

Summary of discussion

N/A

Outcomes (e.g. recommendations, options)

N/A

Summary of written submissions received prior to meeting

N/A