

# Scope 3 Technical Working Group Meeting

WORKING DRAFT; DO NOT CITE

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**Group C (Investments)  
Meeting 5  
Minimum boundaries**

February 13<sup>th</sup>, 2024

# Agenda

(Draft; for TWG discussion)

- Housekeeping and decision-making criteria (5 min)
- Scope of work and recap (10 min)
- Issue 5a: Proportionality (15 min)
- Issue 5b: Relevant scope 3 of (investees) (30 min)
- Issue 5c: Relevant projects and sectors (15 min)
- Issue 5d: Investors with intermediaries (15 min)
- Issue 5e: Total projected lifetime of projects (15 min)
- Optionality of cash activities for FIs (10 min)
- Time planning and next steps (5 min)

# Housekeeping and decision-making criteria

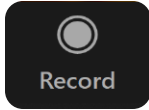
## Disclaimer:

- This is a working document to be used as input for discussions of the Technical Working Group (TWG) of the Scope 3 Standard update process. The notes and views, if any, expressed in this document do not reflect a position of the Greenhouse Gas Protocol, WRI, WBCSD, nor members of the TWG or any affiliations thereof, unless otherwise stated explicitly. The options and preliminary comparisons herein are not designed to be final, complete, or all-encompassing.

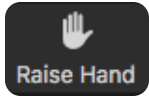
## Notes to reader:

- The online version of this presentation is the official version
- All downloaded or printed material is uncontrolled
- This presentation should be read in conjunction with *Discussion Paper C.1*

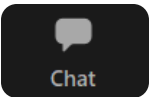
## Meeting information



This meeting is recorded.



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

- TWG members should **not disclose any confidential information** of their employers, related to products, contracts, strategy, financials, compliance, etc.
- In TWG meetings, **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.”
- **Compliance and integrity** are key to maintaining the credibility of the 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\*

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\* 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

## Standard setting language

- GHG Protocol standards use precise language to indicate which provisions of the standard are requirements, which are recommendations, and which are permissible or allowable options that companies may choose to follow.
- “**Shall**” indicates what is required to be in conformance with the standard.
- “**Should**” indicates a recommendation, but not a requirement.
- “**May**” indicates an option that is permissible or allowable.

## Decision-Making Criteria

- Evaluating options: Describe the 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 the pros and minimize the 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 a solution(s) that meet all criteria.

<i>Decision-making criteria</i>	Option A	Option B	Option C
1A. Scientific integrity	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>
1B. GHG accounting and reporting principles	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>
2A. Support decision making that drives ambitious global climate action	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>
2B. Support programs based on GHG Protocol and uses of GHG data	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>
3. Feasibility to implement	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>	<ul style="list-style-type: none"> <li>• Pros</li> <li>• Cons</li> </ul>



(Draft; for TWG discussion)

# Scope of Work & Recap

## Key topics for 2025

Meeting	Meeting date	Section*	Issue
C.4	Jan 23	8.5	Issue 4: Optionality; Issue 5: Minimum boundaries
<b>C.5</b>	<b>Feb 13</b>	<b>8.6</b>	<b>Relevant scope 3 emissions of investments (investees)</b>
		<b>8.7</b>	<b>Lifetime emissions of projects</b>
C.6	Mar 6	8.8	Facilitated emissions
C.7	Mar 27	8.9	Insurance-associated emissions
C.8	Apr 17	8.10	Calculation method (for optional investments)
		8.11	Private/unlisted equity or debt (known uses)
C.9	May 8	8.12 & 8.13	Listed equity or debt (with <i>unknown</i> uses) & Sovereign debt
		8.14 & 8.15	Revenue- or spend-based method & Portfolio rollups
C.10	May 29	N/A	Licensed IP classification, boundary, and quantification
C.11	Jun 19	N/A	Licensed IP continued...

\* Sections correspond with sections in *Discussion Paper C.1* (available online)

## Status of previous issues

- **Issue 1:** Clarify whether category 15 is applicable for both FIs and non-FIs (**Meeting C.1 & C.2**)
  - **Status:** Draft language pending from Secretariat
- **Issue 2:** Review harmonization of the requirements and guidance between the *Scope 3 Standard* and the PCAF standards concerning (2.5) consolidation approaches and (2.6) data quality score (**Meeting C.2**)
  - **Status:** Draft language pending from Secretariat
- **Issue 3a:** Investment type, classification, and optionality (**Meeting C.3**)
  - **Status:** Indicative polls and *Interim poll implications summary* completed
- **Issue 4a & 4b:** Optionality (4a) and disaggregated reporting (4b) (**Meeting C.4**)
  - **Status:** Discussion continuing in this Meeting C.5

# Review of indicative classification and optionality (Issue 4a)

**Table A: Financed**

Equity	Cash equivalents	Investments made through TPMs	Insurance fund investments
Debt (known uses)		Managed investments*	Endowment funds
Debt (unknown uses)			Pension funds
Project finance			

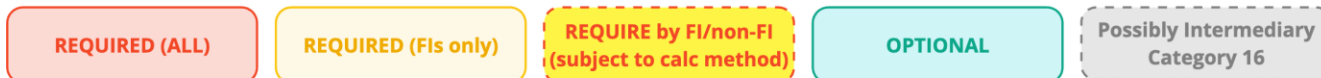
**Table B: Facilitated**

Advisory services**	Cash deposits (depositor perspective)	Donations (donor perspective)	Compensation payments (investments from) (employer perspective)
Underwriting			
Issuance			

**Table C: Insurance-related**

Derivatives	Insurance premium payments (investments made using) (insured party perspective)	Use of claims payments by insured party (insurer perspective)	Insurance-associated emissions (insurer perspective)
Guarantees			
Other^ insurance contracts (party-agnostic)			

\* Discretionary management control; \*\* Non-discretionary advisory control; ^ Apart from insurance-associated, use of claims, insurance premium



- Indicative polls on the following asset or investment types concerning **optionality** is **not** unanimous:
  - Cash equivalents
  - Donations
  - Compensation payments
- This is in part due to the *absence* of calculation methods and the potential implications on aggregate scope 3 results
- Indicative polls on the following asset or investment types concerning **optionality** is **not** unanimous
  - Insurance-associated
  - Use of claims payments

## Review of disaggregated reporting (Issue 4b)

- TWG members indicated preference for either:
  - 56% – **Sub-total (trinary) reporting** (financed, facilitated, and insurance-related); OR
  - 44% – **Specific investment type** (e.g., equity, debt, project finance, cash deposit, derivatives, etc.)
  
- *For reference, the options (and indicative poll results) were:*
  - 5 – *Option 1 – investment type (specific)*
  - 0 – *Option 2 – category 15 sub-total*
  - 0 – *Option 3 – binary sub-totals (table 5.9 and 5.10)*
  - 4 – *Option 4 – trinary sub-totals (financed, facilitated, insurance-associated)*
  - 0 – *Option 5 – existing line-items within table 5.9 and 5.10*
  - 0 – *Other*
  - 1 – *Abstain*

(Draft; for TWG discussion)

# Issue 5a: Proportionality

## Proportionality (*Scope 3 Standard*, p. 54)

- Equity:
  - “**Proportional** emissions from equity investments should be allocated to the investor based on the investor’s **proportional share of equity in the investee** [emphasis added].”
- Debt/Project finance:
  - “Proportional emissions from project finance and debt investments with known use of proceeds should be allocated to the investor based on the investor’s **proportional share of total project costs (total equity plus debt)** [emphasis added].”

## Proportionality

- Should equity proportionality be calculated **like debt and/or project finance** (i.e., as a % of **equity and debt** in the denominator)?
  - Yes
  - No
  - Other
  - Abstain
- If Yes, should the formulas in the *Scope 3 Technical Guidance* be revised to read “... share of equity **and debt** (%)” instead of simply “... share of equity (%)”?
  - Yes
  - No
  - Other
  - Abstain



## Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. <b>Scientific integrity</b>		
1B. GHG accounting and reporting <b>principles</b>		
2A. Support decision-making that drives ambitious global climate <b>action</b>		
2B. Support <b>programs</b> based on GHG Protocol and uses of GHG data		
3. <b>Feasibility</b> to implement		

# **Issue 5b: Relevant scope 3 emissions of investees or projects**

## Current and implied minimum boundaries

- **Current minimum boundary** for category 15 investments in *Scope 3 Standard* \*

**Investment type**

Equity investments  
 Debt investments (with known use of proceeds)  
 Project finance  
 Debt investments (without known use of proceeds)  
 Managed investments and client services  
 Other investments or financial services

Scope 1	Scope 2	Scope 3
Required	Required	Where relevant
Required	Required	Where relevant
Required	Required	Where relevant
Optional	Optional	Optional
Optional	Optional	Optional
Optional	Optional	Optional

- **Implied minimum boundaries** for newly classified investments (based on current optionality) \*\*

**Investment type**

Table A. Financed  
 Table B. Facilitated  
 Table C. Insurance-related

Scope 1	Scope 2	Scope 3
Required	Required	Where relevant
Optional	Optional	Optional
Optional	Optional	Optional

\* Lifetime scope 1 & scope 2 emissions of projects is to be reported separately from a scope 3 inventory

\*\* Donations and/or compensation payments and insurance-associated and/or use of claims payments may be required.

## Scope 3 emissions of investees or projects (*Scope 3 Standard*, p. 54)

- “**Where relevant** [emphasis added], companies should also account for the **scope 3 emissions of the investee or project** [emphasis added].”
- “For example, if a financial institution provides equity or debt financing to a light bulb manufacturer, the financial institution is required to account for the scope 1 and scope 2 emissions of the light bulb manufacturer (i.e., direct emissions during manufacturing and indirect emissions from electricity consumed during manufacturing). The financial institution **should account for the scope 3 emissions** [emphasis added] of the light bulb producer (e.g., scope 3 emissions from consumer use of light bulbs sold by the manufacturer) **when scope 3 emissions are significant** [emphasis added] compared to other source of emissions or **otherwise relevant** [emphasis added].”

## Harmonization with PCAF

- The implied minimum boundaries for newly classified investments (i.e., required Table A financed emissions, and optional Table B and C facilitated and insurance-related emissions, respectively) do **not** harmonize with *all* PCAF asset type-specific minimum boundaries
- Refer to slides 21, 22, and 23 (following three presentation slides)

## Non-harmonized: Current vs. PCAF\* minimum boundaries

### **Asset type**

#### **Equity investments**

Listed equity (5.1)

Unlisted equity (5.2)

#### **Debt investments (with known use)**

Business loans (5.2)

Commercial real estate (5.4)

Mortgages (5.5)

Motor vehicle loans (5.6)

#### **Project finance**

Project finance (5.3)

#### **Debt investments (without known use)**

Corporate bonds (5.1)

Sovereign debt (5.7)

#### **Other investments/services**

Facilitated emissions (PCAF, Part B)

Scope 1	Scope 2	Scope 3
<b>Required</b>	<b>Required</b>	<b>WHERE RELEVANT</b>
Required	Required	Required
Required	Required	Required
<b>Required</b>	<b>Required</b>	<b>WHERE RELEVANT</b>
Required	Required	Required
Required	Required	Optional
Required	Required	n/a
Required	Required	Optional
<b>Required</b>	<b>Required</b>	<b>IF RELEVANT</b>
Required	Required	If relevant
<b>OPTIONAL</b>	<b>OPTIONAL</b>	<b>OPTIONAL</b>
Required	Required	Required
Territorial	Imports	Net imports (adj.)
<b>OPTIONAL</b>	<b>OPTIONAL</b>	<b>OPTIONAL</b>
Required	Required	Separately

\* PCAF minimum boundaries (by asset type) are *italicized*

## Review of indicative classification and optionality (Issue 4a)

**Table A: Financed**

Equity	Cash equivalents	Investments made through TPMs	Insurance fund investments
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Debt (unknown uses)			Pension funds
Project finance			

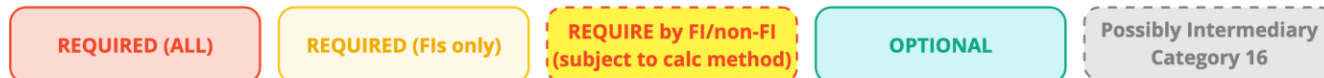
**Table B: Facilitated**

Advisory services**	Cash deposits (depositor perspective)	Donations (donor perspective)	Compensation payments (investments from) (employer perspective)
Underwriting			
Issuance			

**Table C: Insurance-related**

Derivatives	Insurance premium payments (investments made using) (insured party perspective)	Use of claims payments by insured party (insurer perspective)	Insurance-associated emissions (insurer perspective)
Guarantees			
Other^ insurance contracts (party-agnostic)			

\* Discretionary management control; \*\* Non-discretionary advisory control; ^ Apart from insurance-associated, use of claims, insurance premium



- Indicative polls on the following asset or investment types concerning **optionality** is **not** unanimous:
  - Cash equivalents
  - Donations
  - Compensation payments
- This is in part due to the *absence* of calculation methods and the potential implications on aggregate scope 3 results
- Indicative polls on the following asset or investment types concerning **optionality** is **not** unanimous
  - Insurance-associated
  - Use of claims payments

## Implied minimum boundaries vs. PCAF Part A

- Scope 3 emissions of commercial real estate loans (investees) is **optional** in PCAF
- Scope 3 emissions of mortgages (investee) is **not applicable** (n/a) in PCAF
- Scope 3 emissions of motor vehicle loan (investee) is **optional** in PCAF

### **Table A. Financed**

Equity investments
Debt investments (with known use of proceeds)
Debt investments (without known use of proceeds)
Project finance
Cash equivalents*
Investments made through TPM (by clients thereof)*
Managed investments (discretionary) (by TPM)*
Insurance fund investments*
Endowment fund investments*
Pension fund investments (possibly TPM)*

Scope 1	Scope 2	Scope 3
Required	Required	Required
Required	Required	Required
Required	Required	Required <sup>^</sup>
Required	Required	Required
Required	Required	Required <sup>^</sup>
Required	Required	Required <sup>^</sup>
Required	Required	Required
Required	Required	Required
Required	Required	Required
Required	Required	Required
Required	Required	Required

\* Could be classified using equity, debt, or project finance.

<sup>^</sup> PCAF Part A: CRE, Mortgages, and Motor loans is optional/n/a.



## Implied minimum boundaries vs. PCAF Part B

- Facilitated emissions (specifically, for underwriting and issuance) **is are required** by PCAF Part B
- As such, maintaining optionality for FI in the *Scope 3 Standard* would **not** harmonize with PCAF Part B
  - Further, PCAF requires that facilitated scope 1 and scope 2 emissions be reported “separately” from facilitated scope 3 emissions
- Optionality of other investment types harmonizes with PCAF Part B

### **Table B. Facilitated**

Advisory services (non-discretionary)  
Cash deposits  
Underwriting\*\*  
Issuance\*\*  
Donations  
Compensation payments

Scope 1	Scope 2	Scope 3
Optional	Optional	Optional
Optional	Optional	Optional
Required^	Required^	Required^
Required^	Required^	Required^
Optional	Optional	Optional
Optional	Optional	Optional

\*\* Underwriting and issuance may be intermediary party activities.

^ PCAF Part B: Underwriting and issuances is required.

## Implied minimum boundaries vs. PCAF Part C

- Insurance-associated emissions is **required** by PCAF Part C
- Note: PCAF states that insurance-associated emissions should **not** be aggregated in a scope 3 inventory
- None of the other insurance-related emissions are stipulated nor required in PCAF (Part A, B, or C)

### **Table C. Insurance-related**

Derivatives  
 Guarantees  
 Insurance-associated\*\*\*  
 Use of claims payments by insured party\*\*\*  
 Other insurance contracts  
 Insurance premium payments

Scope 1	Scope 2	Scope 3
Optional	Optional	Optional
Optional	Optional	Optional
Required^	Required^	Required^
Optional	Optional	Optional
Optional	Optional	Optional
Optional	Optional	Optional

\*\*\* Any/all insurance company is a financial institution.

^ PCAF Part B: Insurance-associated is required.

## Questions

1. Should the current approach be maintained?
2. Does “where relevant” language (regarding scope 3 emissions of investees) need to be changed?
  - Could “where relevant” language be removed if and only if a magnitude threshold is introduced?
3. What implications does this have for promoting alignment with PCAF?
  - In terms of both (i) minimum boundary conformance and (ii) reporting requirements \*
  - Do the scope emissions of investees/assets need to be reported similarly by GHG Protocol and PCAF?

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\* Note that over half (55%) of TWG members believe GHG Protocol should report **by investment type** (similar to PCAF); further,, PCAF has specific guidance on reporting facilitated and insurance-associated scope 3 emissions separately. 2/7/2025 | 27

## Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> Equity investments should only use equity in the denominator (as is)	<u>Option 2</u> Equity investments should use both equity and debt in the denominator
1A. <b>Scientific integrity</b>		
1B. GHG accounting and reporting <b>principles</b>		
2A. Support decision-making that drives ambitious global climate <b>action</b>		
2B. Support <b>programs</b> based on GHG Protocol and uses of GHG data		
3. <b>Feasibility</b> to implement		

## **5c. Relevant projects and sector-specific requirements**

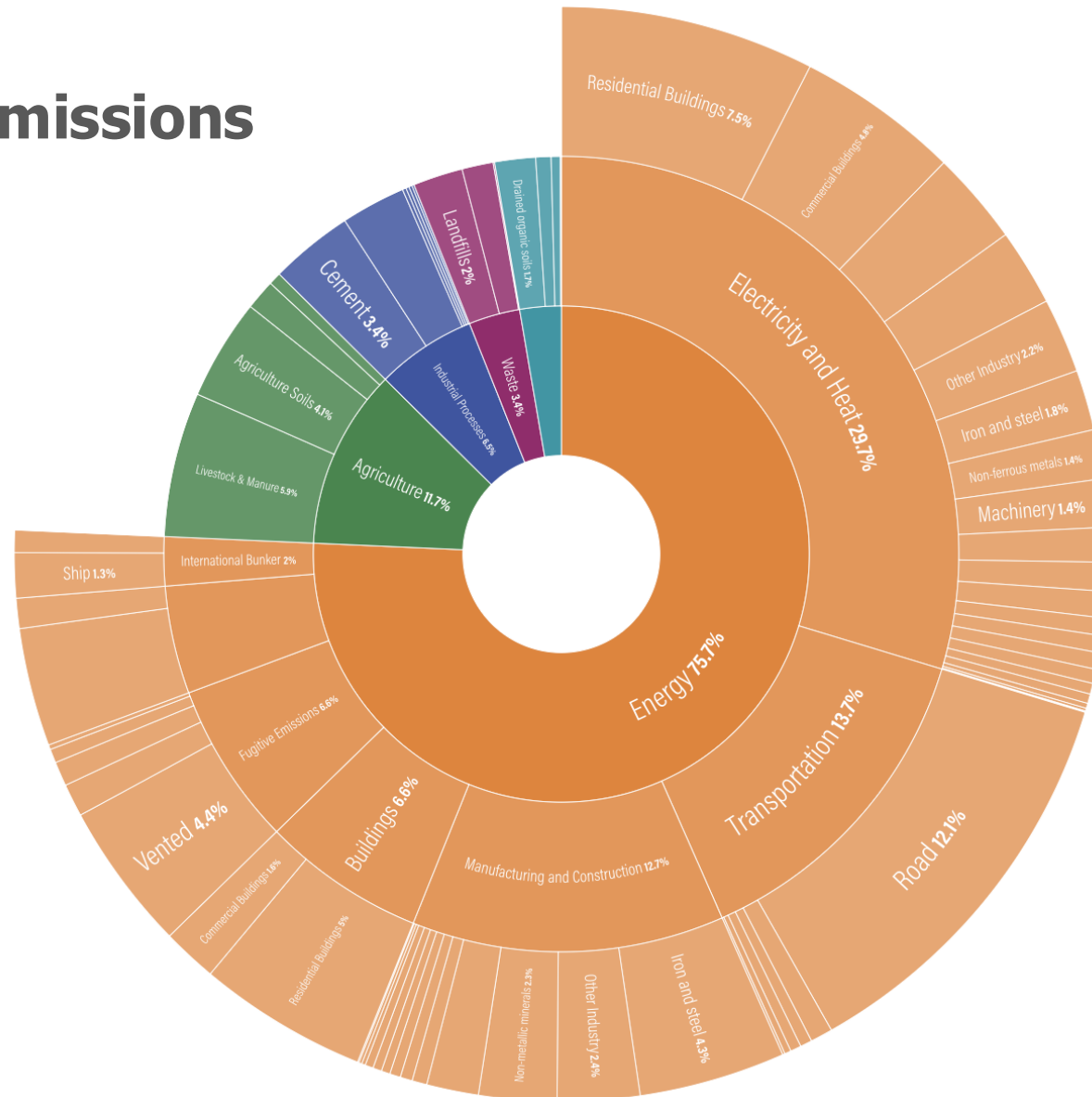
## Relevant projects

- “**Relevant projects** include those in **GHG-intensive sectors** [emphasis added] (e.g., power generation), **projects exceeding a specified emissions threshold** [emphasis added] (developed by the company or industry sector), or **projects that meet other criteria** [emphasis added] developed by the company or industry sector.”

# Sector-specific (global) emissions

## In year 2021 (inner circle):

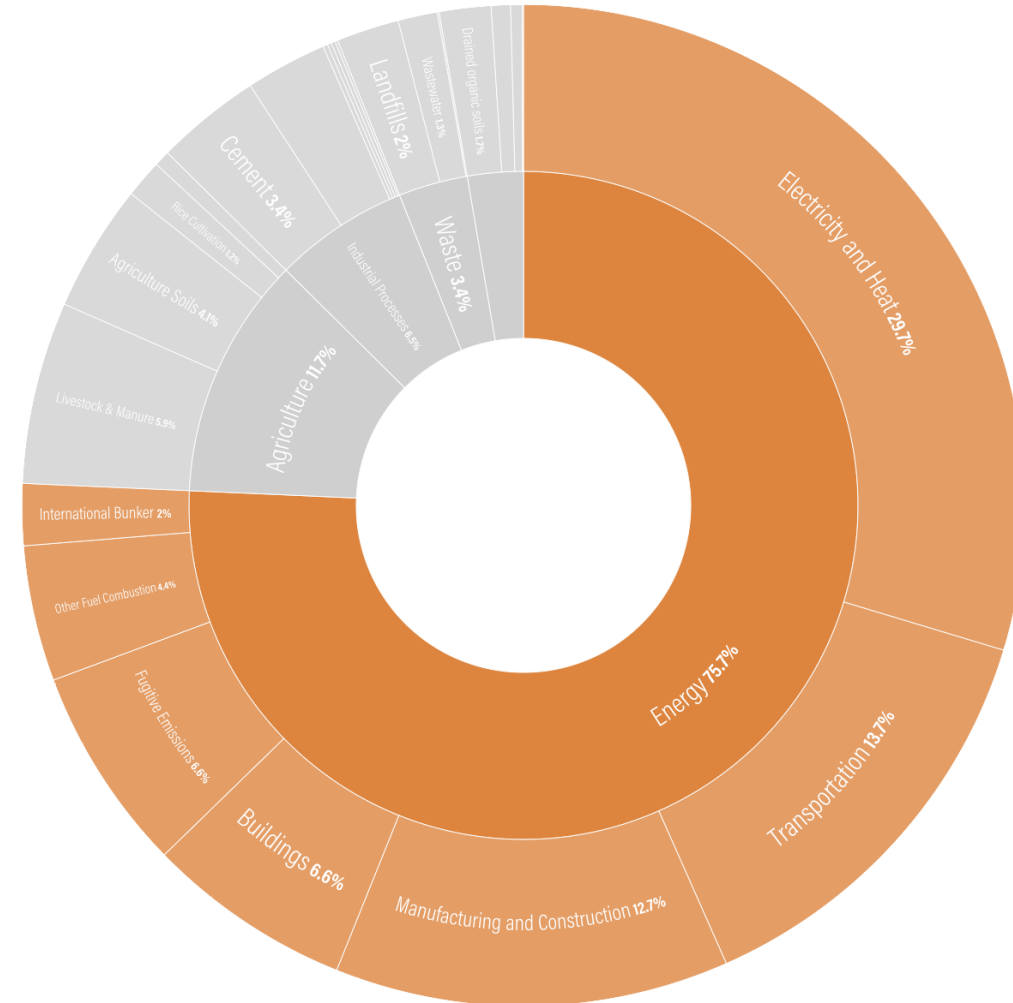
- Energy 75.7%
- Agriculture 11.7%
- Industrial processes 6.5%\*
- Waste 3.4%
- LUCF 2.7%



\* Nearly 50% cement and 50% chemical processed (3.4% and 2.6% respectively)

# Energy sector: by Industry

Global greenhouse gas emissions by sector and end use, 2021



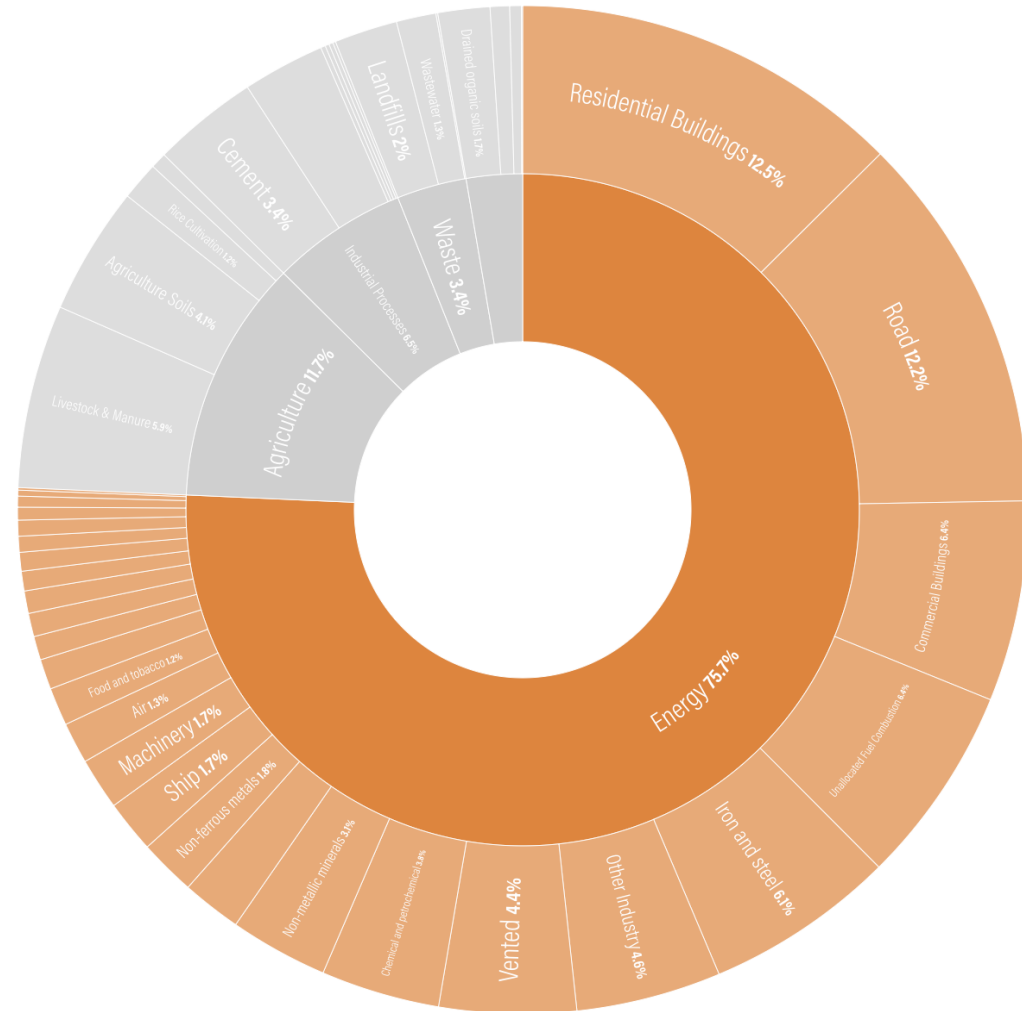
The **energy** sector includes emissions from **electricity and heat** (29.7% of all emissions), **transportation** (13.7%), **manufacturing and construction** (12.7%) and **buildings** (6.6%).

It also includes fugitive emissions (greenhouse gases released during fossil fuel production or transmission) and emissions from other fuel combustion.



# Energy sector: by End-use

Global greenhouse gas emissions by sector and end use, 2021



We can also look at which specific activities (or end-uses) drive the most emissions within each sector.

## Sector-specific (mandatory) requirement(s)

- Is it possible and/or would it be consistent with the decision-making criteria to require the disclosure of full scope 1, 2, and 3 emissions of investees and/or projects by investors in high-emitting sectors?
  - For example: O&G, Utilities, Commercial buildings, Iron and steel, Cement, etc.
  
- 1. Should GHG Protocol introduce sector-specific disclosure requirements for investments?
  - Yes
  - No
  - Other
  - Abstain

## Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. <b>Scientific integrity</b>		
1B. GHG accounting and reporting <b>principles</b>		
2A. Support decision-making that drives ambitious global climate <b>action</b>		
2B. Support <b>programs</b> based on GHG Protocol and uses of GHG data		
3. <b>Feasibility</b> to implement		

## Emissions thresholds or criteria for projects

- *Many* projects are financed via equity (ownership stake), debt (loans, bonds, credit facilities), and/or hybrid (mezzanine, convertible bonds, public-private partnerships)
  1. Should and could thresholds or other criteria be defined and stipulated for **projects**?
    - Yes (If yes, what specific thresholds or criteria should be stipulated?)
    - No (If no, should the *Scope 3 Standard* language be revised?)
    - Other
    - Abstain
  2. Should and could similar thresholds or criteria be defined and stipulated for **equity** and **debt**?
    - Yes (If yes, what language should be introduced?)
    - No (If no, how does this reconcile with the language concerning projects?)
    - Other
    - Abstain

## Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. <b>Scientific integrity</b>		
1B. GHG accounting and reporting <b>principles</b>		
2A. Support decision-making that drives ambitious global climate <b>action</b>		
2B. Support <b>programs</b> based on GHG Protocol and uses of GHG data		
3. <b>Feasibility</b> to implement		

## 5d. Total projected lifetime of projects

## Total projected lifetime

- “**Total projected lifetime** emissions are **reported in the initial year the project is financed** [emphasis added], not in subsequent years. Where there is uncertainty around a project’s anticipated lifetime, companies **may report a range of likely values** [emphasis added] (e.g., for a coal-fired power plant, a company may report a range over a 30- to 60-year time period). Companies should report the assumptions used to estimate total anticipated lifetime emissions. (*Scope 3 Standard*, p. 54)
- **Minimum boundary (required)**: “Also account for the total projected lifetime scope 1 and scope 2 emissions of relevant projects financed during the reporting year and report those emissions **separately from scope 3** [emphasis added].”
- “For some categories, **emissions may have occurred in previous years** [emphasis added]. For other scope 3 categories, **emissions are expected to occur in future years** [emphasis added] because the activities in the reporting year have long-term emissions impacts.... For these categories, the reported... emissions are expected to occur **as a result of activities that occurred in the reporting year** [emphasis added].” (*Scope 3 Standard*, Section 5.4, p. 33)

## Questions

- Should projected lifetime emissions of financed projects be reported **in the year the project is financed**?
  - Yes
  - No
  - Other
  - Abstain
- Should projected lifetime emissions be **reported separately** from a company's scope 3 inventory (e.g., unlike sold products, category 11)?
  - Yes
  - No
  - Other
  - Abstain

(Draft; for TWG discussion)

### Decision-making criteria

- 1A. **Scientific integrity**
- 1B. GHG accounting and reporting **principles**
- 2A. Support decision-making that drives ambitious global climate **action**
- 2B. Support **programs** based on GHG Protocol and uses of GHG data
- 3. **Feasibility** to implement



## Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. <b>Scientific integrity</b>		
1B. GHG accounting and reporting <b>principles</b>		
2A. Support decision-making that drives ambitious global climate <b>action</b>		
2B. Support <b>programs</b> based on GHG Protocol and uses of GHG data		
3. <b>Feasibility</b> to implement		

## **5e. Investors that rely on or use intermediaries**

## Financial intermediaries (*Scope 3 Standard*, p. 54)

- “Companies should account for emissions from the GHG-emitting project financed by the reporting company, **regardless of any financial intermediaries involved** [emphasis added] in the transaction.”

## Should limited partnerships be named explicitly?

- What is a Limited Partnership (LP)
  - LPs typically hold **partnership interest (%)** in a fund
  - This **functions similarly to equity** in a corporation
  - **No** shares are issued for LPs
  - LPs do **not** have direct ownership of the underlying assets
  - LPs are entitled to a **share of the fund's profit**
  - LPs have limited liability
- Potential loophole
  - Limited Partners (LPs) are typically **not** classified as an **associated company, subsidiary, or JVs**
- Size of market
  - Most hedge funds, private equity funds, and venture capital funds use the LP structure
  - The global private equity market (including hedge and VC funds) is around \$4.74 trillion\*

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\* Espinosa, Pamela (October 20, 2024). "Private equity market size". Moonfare. <<https://www.moonfare.com/>>.

## LPs

1. Should LPs be identified in the category 15 minimum boundary description for equity investments?
  - Option 1 - Yes (all FIs and non-FIs)
  - Option 2 - Yes (only FIs)
  - Option 3 - No (neither FIs nor non-FIs)
  - Option 4 - Abstain
  
2. Should it be stipulated that a reporting company should or shall disclose the emissions of any entity to which the reporting company has a legal right to the profits thereof (via equity, debt or any other form of ownership or partnership)? \*
  - Option 1 - Yes (all FIs and non-FIs)
  - Option 2 - Yes (only FIs)
  - Option 3 - No (neither FIs nor non-FIs)
  - Option 4 - Abstain

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\* This would be subject to any magnitude threshold which may or may not be introduced for scope 3 inventories.

## Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. <b>Scientific integrity</b>		
1B. GHG accounting and reporting <b>principles</b>		
2A. Support decision-making that drives ambitious global climate <b>action</b>		
2B. Support <b>programs</b> based on GHG Protocol and uses of GHG data		
3. <b>Feasibility</b> to implement		

# Optionality of cash equivalents

# Indicative classification and optionality (Issue 4a)

**Table A: Financed**

Equity	Cash equivalents	Investments made through TPMs	Insurance fund investments
Debt (known uses)		Managed investments*	Endowment funds
Debt (unknown uses)			Pension funds
Project finance			

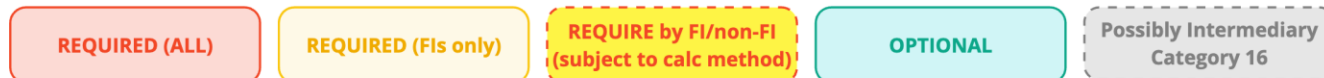
**Table B: Facilitated**

Advisory services**	Cash deposits (depositor perspective)	Donations (donor perspective)	Compensation payments (investments from) (employer perspective)
Underwriting			
Issuance			

**Table C: Insurance-related**

Derivatives	Insurance premium payments (investments made using) (insured party perspective)	Use of claims payments by insured party (insurer perspective)	Insurance-associated emissions (insurer perspective)
Guarantees			
Other^ insurance contracts (party-agnostic)			

\* Discretionary management control; \*\* Non-discretionary advisory control; ^ Apart from insurance-associated, use of claims, insurance premium



- Indicative polls on the following asset or investment types concerning **optionality** is **not** unanimous:
  - Cash equivalents
  - Donations
  - Compensation payments
- This is in part due to the *absence* of calculation methods and the potential implications on aggregate scope 3 results
- Indicative polls on the following asset or investment types concerning **optionality** is **not** unanimous
  - Insurance-associated
  - Use of claims payments



## Cash equivalent requirement

- The impact on several companies' scope 3 category 15 (and total scope 3) inventories could be enormous if disclosure of **cash equivalents** is required.
- Refer to *Discussion Paper C.1*:
  - Section 8.2 (other investment/asset types)
    - 2. Cash and cash equivalents
  - Appendix B17 (Financials for large-cap companies)
  - Appendix B18 (The Carbon Bankroll)
  - Appendix B19 (Wall Street's Carbon Bubble)
  - Appendix B20 (Estimated financed emissions plus cash deposits)
  - Appendix B21 (Justifications for the exclusion of category 15)
- Applying a publicly proposed method (Appendix B20) could/would increase the total scope 1, 2, and 3 inventories of 10 large-cap companies by **approx. 30%** and 15 large-cap companies by **approx. 43%**

## Cash equivalents

- Including CC&E would increase the total GHG inventory (scope 1, 2, and 2) of fifteen (15) publicly listed, large-cap companies by approximately 43%

Company	Reported (scope 1, 2, 3) (ktCO <sub>2</sub> e)	% total emissions (w/ Cat. 15)	Investments & CC&E (\$M)	Financed emissions (ktCO <sub>2</sub> e)	% total emissions (w/ Cat. 15)	Total
Airbnb	328	11%	9,602	2,600	89%	2,928
Amazon	71,270	83%	70,391	14,697	17%	85,967
Apple	20,600	44%	169,109	26,421	56%	47,021
Atlassian	129	17%	2,104	617	83%	746
Cisco	22,805	81%	25,715	5,466	19%	28,271
Etsy	533	62%	1,201	327	38%	860
Google/Alphabet	10,183	32%	113,762	21,153	68%	31,336
Johnson & Johnson	18,526	74%	23,519	6,576	26%	25,102
Mastercard	563	21%	7,679	2,122	79%	2,685
Meta (Facebook)	8,534	48%	40,738	9,353	52%	17,887
Microsoft	12,998	32%	111,256	28,093	68%	41,091
Netflix	1,146	39%	6,059	1,778	61%	2,924
PayPal	517	14%	14,046	3,285	86%	3,802
Salesforce	1,338	33%	12,508	2,756	67%	4,094
Visa	471	9%	17,456	4,984	91%	5,455
<b>Total</b>	<b>169,941</b>	<b>57%</b>	<b>625,145</b>	<b>130,228</b>	<b>43%</b>	<b>300,169</b>

## Cash equivalents

- Should reporting scope 3 emissions from cash equivalents be mandatory?
  - Option 1 - Yes (all FIs and non-FIs)
  - Option 2 - Yes (only FIs)
  - Option 3 - No (neither FIs nor non-FIs)
  - Option 4 - Abstain
- If not (Option 3) or if only FIs (Option 2) – how should or could the requirement to report all financed emissions (Table A) be adjusted? \*

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\* Table A (Financed emissions) is currently **required** (as per near-consensus indicative polling)

## Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. <b>Scientific integrity</b>		
1B. GHG accounting and reporting <b>principles</b>		
2A. Support decision-making that drives ambitious global climate <b>action</b>		
2B. Support <b>programs</b> based on GHG Protocol and uses of GHG data		
3. <b>Feasibility</b> to implement		

# Optionality of some activities for FIs

## Optionality considerations tabled until later meetings

- The following will be considered in later meetings:
  - **Meeting C.6** (March 6) and/or **Meeting C.8** (April 17, 2025):
    - Requiring disclosure of **donations** (by donors) and **compensation payments** (of employers)
    - A calculation method(s) needs to be explored/introduced to reconsider this requirement
  - **Meeting C.7** (March 27):
    - Requiring disclosure of the following **insurance-related** emissions
    - A calculation method(s) needs to be explored/introduced to reconsider this requirement for FIs

## Questions

- Some non-FIs perform financial activities:
  - Self-insurance (by large corporates)
  - Warranty underwriting (supermarkets and retail chains)
  - Reinsurance and specialty underwriting (reinsurance firms)
  - Government entities (e.g., loan guarantees and public insurance)
- Should GHG Protocol stipulate exceptions for financial institutions? Specifically:
  - **Require** that **FIs** report emissions from **underwriting, issuance, and insurance-associated** (and possibly other **insurance-related**) activities irrespective of the optionality available to **non-FIs**?
    - Yes
    - No
    - Other
    - Abstain

## Live analysis using decision-making criteria

Decision-making Criteria	<u>Option 1</u> ...	<u>Option 2</u> ...
1A. <b>Scientific integrity</b>		
1B. GHG accounting and reporting <b>principles</b>		
2A. Support decision-making that drives ambitious global climate <b>action</b>		
2B. Support <b>programs</b> based on GHG Protocol and uses of GHG data		
3. <b>Feasibility</b> to implement		



# Time planning

## Meeting dates and times

- **Confirm 6-8am EST** for two meetings in 2025 to benefit members in APAC time zones

Group C						
Meeting	Date	Time				
1	17 Oct 2024   Thu	06:00 PT	09:00 ET	15:00 CET	18:30 IST	00:00 AET
C.1	07 Nov 2024	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
C.2	27 Nov 2024	06:00 PT	09:00 ET	15:00 CET	19:30 IST	01:00 AET
C.3	19 Dec 2024	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
C.4	23 Jan 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	01:00 AET
<b>C.5</b>	<b>13 Feb 2025</b>	<b>03:00 PT</b>	<b>06:00 ET</b>	<b>12:00 CET</b>	<b>16:30 IST</b>	<b>01:00 AET</b>
C.6	06 Mar 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
C.7	27 Mar 2025	06:00 PT	09:00 ET	14:00 CET	19:30 IST	00:00 AET
<b>C.8</b>	<b>17 Apr 2025</b>	<b>03:00 PT</b>	<b>06:00 ET</b>	<b>12:00 CET</b>	<b>18:30 IST</b>	<b>00:00 AET</b>
C.9	08 May 2025	06:00 PT	09:00 ET	15:00 CET	19:30 IST	00:00 AET
C.10	29 May 2025	06:00 PT	09:00 ET	15:00 CET	18:30 IST	23:00 AET
C.11	19 Jun 2025	06:00 PT	09:00 ET	15:00 CET	18:30 IST	23:00 AET

# Next steps

## Next steps

- GHG Protocol Secretariat:
  - February 14<sup>th</sup> – Distribute the **Recording**
  - February 20<sup>th</sup> – Distribute **Meeting Minutes** and the **Feedback Form** (if any)
- Next meeting:
  - March 6<sup>th</sup> – **Meeting C.6 at 9-11am EST**

**Thank you!**

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## Small business or large-cap exceptions?

- Shall non-FI SMEs be required to disclose financed emissions (Table A)?
  - Option 1 - Yes (all FIs and non-FIs)
  - Option 2 - Yes (only FIs)
  - Option 3 - No (neither FIs nor non-FIs)
  - Option 4 - Abstain
- If not (Option 3) or if only FIs (Option 2) – how should or could the requirement to report all financed emissions (Table A) be adjusted? \*