World Business Council for Sustainable Development

WORLD RESOURCES INSTITUTE

The Greenhouse Gas Protocol

Scope 3 Accounting and Reporting Standard

Comment Template

We are providing this template to streamline public comment submissions. To use this template, please follow the instructions below:

- This Scope 3 draft is open for stakeholder comment from November 11, 2009 through December 21, 2009.
- To provide written comments, please use the comment template provided, instead of sending comments in a separate file or e-mail, in order to streamline the comment process.
- When using the comment template, please organize comments by chapter/section and reference page numbers and line numbers.
- If you have questions during the public comment process, please email Holly Lahd at hlahd@wri.org.
- Submit comments as an attached MS Word file by email to Holly Lahd at hlahd@wri.org no later than **Monday, December 21st, 2009**. We appreciate any effort to submit written comments before the deadline.

Feedback from (name): **Corinne Reich-Weiser_(corinne@climateearth.com)**

Organization: **Climate Earth**

1. Introduction

Page 9, Lines 14-15

"For companies implementing both standards, a product level inventory will inform and support the development of a corporate-wide scope 3 inventory. (*To be developed further*)"

We believe a top-down approach should be recommended. Starting with a corporate inventory to inform the product inventories is superior from both a technical and business perspective because it rapidly informs and supports a product level inventory using materiality as a guide. Product level analysis "in the blind" should not be recommended.

4. Mapping the Value Chain

Page 14, Lines 5-7

"The purpose of mapping of the value chain is to identify the full range of possible scope 3 activities before a company determines which are most relevant and should be included in the scope 3 inventory."

A screening assessment should inform a process map and boundary assessment. One cannot draw a process map with hundreds of inputs without first deciding what is important.

Page 14, Line 14

"…All scope 3…"

"All scope 3 emissions sources" can be estimated, but are impossible to draw on a process flow diagram – supply chains are infinite and each level has hundreds to thousands of inputs. Additional guidance is needed here.

Page 14, Lines 25-26

"The distinction between the two categories is based on the financial transactions of the company."

The use of financial transactions to distinguish upstream and downstream scope 3 is excellent. This is a very clear and clean way to understand the emissions categorization.

5. Setting the Boundary

Page 18, Lines 27-28, Lines 46-47

"Companies shall report emissions for each scope 3 category determined to be relevant. Companies may additionally report emissions for other scope 3 categories."

If all scope 3 emissions should be estimated and rolled up to determine which are most important, then all of these estimates should also be reported. Lines 27-28 should be changed to reflect that all emissions estimates need to be reported.

Page 18, Lines 46-47

"Initial estimates should be conducted for each individual scope 3 category and rolled up to obtain an estimate of total anticipated scope 3 emissions."

In line with comment above, we propose "should be" changed to "shall be": "Initial estimates shall be conducted for each individual scope 3 category and rolled up to obtain an estimate of total anticipated scope 3 emissions".

Page 19, Lines 7-8

"Companies shall account for and report the largest scope 3 sources that collectively account for at least 80% of total anticipated scope 3 emissions."

In order to verify that reported emissions are over 80% of scope 3 emissions, an estimate of all scope 3 emissions is necessary. Requiring

100% will create more consistent reporting across all companies and will discourage "cherry picking" of scope 3 sources. Table 6.1 provides guidance on quality enabling 100% reporting and continuous improvement. The scale of Scope 3 affects assessments of materiality and therefore affects decision making. Omission of scope 3 sources often has a bigger effect on relative materiality than data quality. It is important to establish the precedent that documenting all emissions is most important, followed by data resolution.

Page 19, Lines 51-52

"Activities over which the reporting company has the ability to influence reductions should be reported even if it falls below the significance threshold established in section 5.2."

This is added complication can be avoided if all emissions are reported once estimated by the company. "Ability to influence" can be a highly subjective assessment. We recommend requiring 100% reporting not only would simplify the protocol, but also would strengthen the protocol by removing a layer of subjectivity from the process.

Page 20 Table 5.1

[Not reproduced here.]

Examples of actions such as this give preference to low GHG suppliers and low GHG procurement policies. To make effective policies, sector and category specific rules need to be developed. Our preference and customer's preference is that these be developed by industry groups and reviewed by WRI. We recommend that WRI take this role overtly so that industry can start the process.

Page 21 Line 28:

"Companies and their industry sectors should identify additional criteria for determining relevant scope 3."

We need more guidance on how to develop industry specific rules.

6. Collecting Data

Page 22, Box 6.1

[Not reproduced here.]

Using spend to screen is useful but could be quickly made more useful by utilizing Input-Output tables to determine where low spend areas might have high emissions. We feel the use of financial data *alone* for screening is risky and oversimplified, and should be removed as an option. For example, emissions per dollar of durable goods can be an order of magnitude higher than emissions per dollar of services.

Page 22, Line 31 and 32

"The design of a corporate inventory system should facilitate the collection of high quality inventory data and the maintenance and improvement of collection procedures over time."

This section should be strengthened. Consider making maintenance and continuous improvement of data a "shall". This is key to promoting quality

core to WRI principles and also reinforces a change to requiring 100% reporting.

Page 24, Lines 11-15

"1. Product-level data
2. Process-level data
3. Facility-level data
4. Business unit-level data
5. Corporate-level data"

This order should be reversed to enable people to do a rough emissions estimate and then hone in on the areas that are most important and get more and more refined until they reach the most important products and refine the data at that product level. Hierarchy of data should be the reverse to start big and then narrow down on areas where additional detail and effort is useful and "relevant".

Page 24, Line 37 & 38

"In general, primary data should be collected for all sources and activities the company targets for GHG emission reductions."

For significant material emissions, secondary data may be adequate to know that a material change is needed. For example, primary data would not be necessary to see that replacing virgin plastic with recycled plastic, if the use of secondary data indicates that the emissions and/or their different emissions values are significant.

Page 27, Figure 6.2

[Not reproduced here.]

In line with the principal of screening first, we believe the order of Figure 6.2 should be reversed. That is, approximate data is first used for screening to determine what is important, this is then refined with secondary data where useful and finally, only where absolutely necessary given the time constraints and goals of the assessment primary data can be gathered.

13. Transportation & Distribution (Downstream/ Outbound)

Page 48, Lines 55-56

"Companies shall not exclude relevant emissions categories from the reported inventory on the basis of uncertainty."

We strongly agree strongly with this statement, and encourage emphasizing it throughout the report.

Other comments and feedback

We believe that the current draft of the WRI Scope 3 Accounting and Reporting Standard is an important first step in creating a Scope 3 standard that is both practical and compatible with real world conditions of business. The ability to

combine primary, secondary and tertiary data makes the standard particularly important.

We applaud the approach of having an initial screening assessment but assert that 100% reporting of the screening results is necessary for transparency and a accurate representation of an entity's carbon impact. ALL emissions once quantified in a screening step should be reported. This is important for a multitude of reasons including consistency, completeness, transparency, and is furthermore consistent with the idea that even uncertain estimates of emissions should be reported. Complete reporting of emissions estimates also allows for public scrutiny of decisions and uncertainty.

In line with estimation of 100% of emissions, we don't feel that prioritizing activities can be done based only on dollar expenditures. A complete estimate of GHGs should be required and can be quickly done with Input-Output for the screening step. However, we do support a lower threshold for data with smaller spend items. The entire set of IO categories can be roughly broken down into 10-20 emissions factors for a quick estimation from the financials. For example, an aggregate value for "all services" could be given an estimation factor of 0.5 kg-CO2eq/$, and be acceptable in lieu of sector specific values (e.g., "legal services") when the cost basis is low.

We disagree with the idea that a product inventory necessarily informs a corporate inventory in a meaningful way. Our experience in a variety of industries is that a top-down corporate level inventory is the best way to make decisions about product lines for further analysis and provides necessary overhead and capital goods data to complete a comprehensive product analysis. A major concern here is that if you add together every product LCA for a company you will not achieve a complete corporate inventory, emphasizing the point that starting from the corporate level ensures completeness.

In addition to these major points we have some minor comments and points of clarification:

(1) Additional reporting requirements should be: auditable and periodic

(2) The Product Standard has simplified value chain mapping that should be included as an acceptable alternative in the scope 3 standard as well.

(3) Should further distinguish between Scope 3 upstream and Scope 3 downstream with Scope 3 and Scope 4. Methodologies are vastly different for each making this a reasonable system. Employee commute can just be called "employee commute" – or define it as something the company pays for (via a salary) and make it scope 3.

(4) The assumption that primary data is better than secondary data may not always be useful. Scope 3 data is always changing – you change suppliers, suppliers change suppliers, etc.

(5) We are confused by the notion of primary data given the assumption that primary data used along with secondary emissions data is considered primary data. So, then, what is

the limitation for this, given that primary data on use of aluminum along with an LCA factor for aluminum is certainly considered secondary data?

In conclusion, we are pleased with the direction of the standards, but we believe transparency and completeness should be the key guiding principles of the standard. Therefore, all screening and data quality assumptions (and secondary data boundaries) should be reported. This change to the standard would instantly make it simpler and allow for more consistent reporting.

Thank you so much for considering our response and for all the hard work that has already gone into developing these standards!