



GHG Protocol Corporate Standards and Guidance Updates

Review of the Scope 2 Guidance & Market-based Accounting Approaches Memo

Steven Vanholme, EKOenergy ecolabel, Finnish Association for Nature Conservation
Steven.Vanholme@sll.fi +358505687385
 9 December 2022

Many have called the ongoing decade the “decade of delivery”. Yet, we are not making use of the tools already available to help us in a fast transition to 100% renewable energy. We hope the review of GHG Protocol coming at this crucial time won’t instill insecurity for consumers who were reporting according to the existing texts, just when the implementation started to take off.

The Greenhouse Gas Protocol Scope 2 Guidance was published after 4 years of negotiations and discussions. It provides a solid base for those who want to start taking action and a review should focus on taking the next step.

Therefore, we don’t see discussions about the dual reporting approach as productive, but updating the text with new developments and best practices for delivering additional positive impact could be of value.

We would also like to see an overview of the planned decision process. How will the comments be processed? Will there be working groups to delve into specific issues? How will these groups be formed? How will the fair participation of all relevant stakeholders be guaranteed? Who will oversee the process and who will make the final decision? These are uncertain as of now. We hope this uncertainty won’t delay the climate action planned according to the standards that already exist.

We will submit **feedback by 14 March 2023** but here we’re sharing some of our suggestions for making the GHG updates more impactful and up-to-date:

1. Simplification of the text
2. Location-based method gives lee-way for double counting of environmental attributes, this should be avoided
3. Additional impact can be highlighted in the Scope 2 Guidance, elaborating on Chapter 11 (which is based on the market-based approach for good reason)
4. Promotion of the GHG Protocol texts and measuring its impact: We’re seeing the results only market-based approach now
5. The market-based approach has enabled the involvement of many
6. The role of WRI and WBCSD: We invite them to actively promote their texts

1) Simplification of the text

Reducing the text to its basics will improve its readability and make it easier for people to understand its essence. This can also open up space to add paragraphs about new developments and give readers information about what the rules mean concretely in various

parts of the world. Currently, the text is rather “encyclopedic” and the examples from 2012 or 2013 aren’t as useful.

We think it would be helpful for the stakeholders and the WRI to identify which paragraphs need to (or can) be simplified for easier understanding, and/or updated to match the current market situation.

2) Location-based method gives lee-way for double counting of environmental attributes, this should be avoided

The first focus of the Greenhouse Gas Protocol should be on the avoidance of double counting. Currently, the location-based method is problematic in this regard, compared to the market-based approach.

The Scope 2 Guidance doesn’t give clear boundaries of the territorial unit to take into account when using the location-based method. When different market players use different geographical boundaries, double counting is unavoidable. We can assume that most will set their boundaries in such a way that the greenhouse gas emissions are the lowest possible. E.g. In the North-European electricity market, Norwegians will almost surely use Norway as their location, whereas Finnish companies may be tempted to use the Nordic market as their location. In this case, the same green attributes get counted twice.

Therefore the Greenhouse Gas Protocol and its affiliates could set the boundaries. No unanimity was reached during the discussions in 2012-2015, but this is something that could be put back on the table.

3) Additional impact can be highlighted in the Scope 2 Guidance elaborating on Chapter 11 (which is based on the market-based approach for good reason)

Based on the survey, we notice that the WRI is now more interested in encouraging companies to contribute to additional change than before. This is a good evolution.

In 2015, additional impact was not seen as the main goal of the Scope 2 Guidance, currently, it is not mentioned in the main Scope 2 Guidance (p. 4-77) but only in the “Background reading”, particularly under Chapter 11 titled “How Companies Can Drive Electricity Supply Changes with the Market-Based Method”. This chapter only mentions the market-based approach, because it was (and is) generally accepted that individual stakeholders cannot drive changes by focusing on the location-based method.

We would like to see the contents of Chapter 11 given more weight and visibility in the updated version of the Scope 2 Guidance. The list of available methods and practices could be increased considerably, e.g. based on the recommendations and suggestions of CDP and RE100’s “Business leadership in the transition to renewable electricity” paper: <https://www.there100.org/sites/re100/files/2020-09/RE100%20Leadership%20report.pdf>

4) Promotion of the GHG Protocol texts and measuring its impact: We’re seeing the results of market-based approach only now

We at EKOenergy Secretariat have been doing our best to promote the GHG Protocol Scope 2 Guidance: We prepared presentations and several courses to inform several sectors. [We translated a summary of it into 19 languages](#) (starting in 2015) and brought it up in our promotion of renewable energy use in numerous meetings and published articles in various languages in the past 7 years.

We are observing that the impact of the principles laid out in the Scope 2 Guidance is gradually becoming visible only now.

One thing is sure: The market-based approach has led to positive dynamics in many countries, which are in line with and supportive of other drivers, in particular the cost-efficiency of renewables. That the “location-based numbers” are now moving in the right direction is partially thanks to thousands, if not millions, of market-based decisions.

One of the questions of the survey reads:

Based on the past seven years' worth of data, under the current market-based accounting framework, is there empirical support for the premise that market-based scope 2 accounting framework results in collective changes in low-carbon energy supply and global atmospheric GHG emission reductions?

We see a potential bias against the market-based approach in this question (and in the survey in general), therefore we want to draw attention to the following facts and points:

- It has taken years for companies to familiarise themselves with the new rules and adopt policies in line with the GHG Protocol texts. There are no “7 years of data”, but rather gradually increasing awareness. Companies that started planning their policy in 2015 and 2016 may adopt those new strategies in 2017 and 2018. Implementation and results start coming in 2020, at best.
- The statement “market-based scope 2 accounting framework results in collective changes in low-carbon energy supply and global atmospheric GHG emission reductions” was not a statement that the Greenhouse Gas Protocol wanted to make in 2015. To our knowledge, the organisations that published the standard haven’t done anything to promote the already existing impactful solutions that can help drive electricity supply changes in the past 7 years.
- A similar question about the location-based method isn’t brought up in the survey. What impact is expected from using the location-based method and how will that be measured?
- Interest in renewable energy has skyrocketed, and the number of stakeholders working with and investing in renewable energy has grown in the past 7 years. There are many reasons for this, such as the decreasing costs of renewables, the visible impacts of global warming, Putin’s war in Ukraine and supply security issues, the energy crisis and much more. It seems impossible to single out the impact of one individual driver when a multitude of interacting factors is at play.

5) The market-based approach has enabled the involvement of many

There is no single solution to the climate crisis. As an environmental NGO, we have observed that the market-based-approach has enabled the development of additional tools and communications, which has increased the involvement of more energy users and market stakeholders.

The strength of the market-based approach is that it enables the involvement of many. Without a market, many of the developments simply wouldn’t have taken place.

- Campaigns such as the RE100 are a result of the market-based approach. Thanks to the name and fame of the RE100, local market authorities in many countries started working on local tracking systems. “Using renewable energy” became a concrete topic for market actors to work on, instead of mainly academics and environmental activists asking for it. The market finally begins to deliver what we have been asking for decades.

- CDP and the RE100 Secretariat regularly make suggestions to increase the positive impact of their purchases. The RE100 also has made a huge positive impact on the energy policy in many countries, particularly in East Asia.
- NGOs promoting the use of renewables, such as by publishing rankings of energy companies or encouraging local energy cooperatives, are also making use of market-based solutions even though they may not know the terminology. One can't be sure they use 100% renewable from a local, community-based installation otherwise.
- PPAs have been applauded in many parts of the world for creating new renewable energy capacity. There wouldn't be corporate PPAs signed without the market-based approach.
- Many agree that 24/7 contracts will have the potential to bring an extra dimension to renewable energy deployment. Without the market-based approach, no 24/7 contracts are possible.
- Our own ecolabel is also an example. Since 2015, we have financed 79 renewable energy projects (and counting) in more than 20 developing countries thanks to the users of EKOenergy-labelled energy. We have also set up campaigns to promote the uptake of renewable energy worldwide. You can learn more about [our mission and vision](#) here.

6) The role of WRI and WBSCD: We invite them to actively promote their texts

We would encourage all organisations involved in the development of the Greenhouse Gas Protocol to be more active in the promotion and dissemination of their texts.

For several years, it was up to the market players (including stakeholders such as EKOenergy) to translate and share the text in their countries.

- There hasn't been any formal guidance on how to use the location-based method. It would save thousands of users a lot of time and frustration if WRI published lists of location-based numbers, or provided an explanation of how to use this method in practice.
- There hasn't been any encouragement for companies to make use of Chapter 11 on additional impact and to share their experiences. WRI being more active in promoting additional impact via this text could encourage companies to act upon it, instead of now posing additional impact as an integral part of the Scope 2 Guidance (which wasn't when it was published).
- The aftermath of the publication of the GHG Protocol Scope 2 Guidance could be managed better. It was up to the users of the standard to explain and defend the choices made in 2015 and this happened in an uncoordinated way, without the involvement of WRI or WBCSD. We see many of the criticisms raised now date back to this period.
- Questions from users remained unanswered since there was no contact person for the Scope 2 Guidance for many years. Thanks to a developing market other initiatives have filled this gap. At EKOenergy, we have seen the benefit of quoting CDP, GHG Protocol and RE100 texts. More support would have definitely been welcome.

Suggesting drastic changes undermines what has been developed. Instead, we would like to see more support for everything that is being done already. Together we can do more and act faster!