

Scope 2 TWG Meeting Minutes

Meeting number 3

Date: 26 November 2024

Time: 17:00 – 19:00 EST

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. Matthew Brander, The University of Edinburgh
6. Charles Cannon, RMI
7. Yenhaw Chen, Taiwan Institute of Economic Research
8. Jules Chuang, Mt. Stonegate Green Asset Management Ltd.
9. Jessica Cohen, Constellation Energy Corporation
10. Killian Daly, EnergyTag
11. Abhilash Desu, Science Based Targets Initiative (SBTi)
12. Stuti Dubey, D-REC Foundation
13. Penfei Fan, China Electric Power Planning & Engineering Institute (EPPEI)
14. Neil Fisher, The NorthBridge Group
15. Aileen Garnett, Genesis Energy Limited
16. Andrew Glumac, CDP
17. Svend Brun Fjendbo Hansen, Ørsted
18. Peggy Kellen, Center for Resource Solutions
19. Emma Konet, Tierra Climate
20. Matthew Konieczny, Watershed
21. Holly Lahd, Center for Green Market Activation
22. Stephen Lamm, Bloom Energy
23. Erik Landry, GRESB
24. Lissy Langer, Technical University of Denmark (DTU)
25. Irina Lazzerini, United Nations Development Programme (UNDP)
26. Kelly Lichter, PepsiCo
27. J. Andrea Méndez Velásquez, Atmosphere Alternative
28. Gregory Miller, Singularity Energy
29. Yiwen Qiu, Independent
30. Henry Richardson, WattTime
31. Wilson Ricks, Princeton University
32. Abhishek Shivakumar, TransitionZero
33. Alexandra Styles, HIR Hamburg Institut Research
34. Devon Swezey, Google
35. Kae Takase, Renewable Energy Institute
36. Linda Wamune, Energy Peace Partners
37. Sophia Wang, Gilead Sciences

Guests

None present

GHG Protocol Secretariat

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

Documents referenced

1. Discussion Paper 2: Technical improvements to the location-based method
2. Survey #2: Technical improvements to the location-based method

Item	Topic and Summary	Outcomes
1	Welcome The Secretariat welcomed attendees, reviewed the agenda, and outlined the meeting's objective to discuss initial TWG perspectives on proposed options to update the location-based method.	N/A
2	Current purposes The Secretariat presented a framework for feedback on the location-based method and clarified its definition and purpose in the Scope 2 Guidance.	N/A
3	Secretariat assessment The Secretariat reviewed their assessment of the options using the Decision-Making Criteria, emphasizing it as a starting point for TWG discussions, not a recommendation or conclusion.	N/A
4	Member feedback discussion – Option A TWG members discussed their perspectives on Option A and the purposes of the location-based method.	The Secretariat noted they would build a list of questions that members asked of the group.
5	Member feedback discussion – Option B TWG members discussed their perspectives on Option B and the purposes of the location-based method.	N/A
6	Member feedback discussion – Option C TWG members discussed their perspectives on Option C and the purposes of the location-based method.	N/A
7	Next steps The Secretariat conducted an indicative poll to gauge members' initial views on the discussion topics of the meeting. The Secretariat outlined the timeframe for members to complete the Microsoft Forms Survey prior to the next meeting. The Secretariat also noted that the meeting previously scheduled for January 9 th would be moved to January 16 th .	<u>Poll results - purposes of location-based method</u> 31/37 members supported some revision to the current method's purposes. 3/37 proposed keeping the current purpose <u>Poll results - methodology</u> 5/37 supported keeping the current temporal and boundary requirements. 9/37 support <i>requiring</i> time and location matching 14/37 support <i>recommending</i> time and location matching 4/37 needed more discussion on the requirements. TWG members were requested to review the final section of the discussion paper, 'Market-based method technical improvements,' and complete Survey #3 by Friday, December 6th at 3am Central European Time.

Summary of discussion and outcomes

1. Welcome

- The Secretariat welcomed attendees, reviewed logistics, confirmed that minutes and resources would be shared post-call and highlighted the agenda's focus on gathering feedback on changes to the location-based method.
- The Secretariat further clarified the meeting goals: to develop a clearer understanding on how and why the location-based method should be improved, and to gauge any initial roadblocks to elevate to the Independent Standards Board.

Summary of discussion

N/A

Outcomes (e.g. recommendations, options)

N/A

2. Current purposes of the location-based method

- The Secretariat began with outlining a framework for categorizing feedback on the location-based method noting that potential revisions could be conceptualized in two ways, one related to the *purposes* of the method and the other on the *methodology* that achieves those purposes.
- The Secretariat reviewed text from the Corporate Standard and Scope 2 Guidance on the definition of a Scope 2 inventory and the existing location-based method.
- The Secretariat outlined the stated purposes or uses of the location-based method as detailed in the Scope 2 Guidance, noting there are multiple ways in which the purposes, uses, objectives, etc. of the method are described (e.g. business goals, decision-making value, etc.).

Summary of discussion

- TWG members asked for clarity about what the information calculated under the location-based method is meant to convey and suggested this should be outlined distinct from the purposes.
- Members noted that the definition of the location-based method is framed in terms of electricity 'generation' (i.e., scope 2 accounting methods use "generation-only emission factors") rather than electricity 'consumption' as it relates to accounting for imports and exports. A point of confusion was identified between the usage of "generation- or production-based emission factors" or "consumption-based emission factors" when describing how imports/exports across grid boundaries are addressed. This question was noted for consideration at a later date as a more precise definition will be reviewed at a later point in the TWG process.

Outcomes (e.g. recommendations, options)

N/A

3. Secretariat's assessment of proposed options

- The Secretariat shared a preliminary assessment of the three options for changes to the location-based method using the Decision-Making Criteria, noting a full assessment of option C would require further TWG input.
- The Secretariat noted that a 'shall' requirement generally has more influence on decision-making criteria than a 'should' requirement and reiterated that the assessment is a starting point for TWG discussions, not a recommendation or conclusion.

Summary of discussion

N/A

Outcomes (e.g. recommendations, options)

N/A

5. Member feedback discussion - Option A

- The Secretariat briefly outlined the existing reporting requirements under Option A, followed by a TWG discussion on members' assessments of this option against the decision-making criteria and their responses to the discussion questions.

Summary of discussion

- Members discussed the value in revisiting the stated purposes and/or the methodology of the location-based method.
- Some members noted that the stated purposes in the Guidance conflict with each other and some of the purposes may fit better within the market-based method or outside of an attributional inventory. Comments were raised about whether it's appropriate to have shared purposes between the location and market-based method or if they should be different.
- Some members emphasized the need for realistic expectations about the purpose of the location-based method. They suggested more precise guidance, such as clarifying which decisions the method can inform (e.g., energy efficiency, grid decarbonization advocacy, inventory hotspot identification) and offering direction on using inventories for comparisons or when alternative methods are more appropriate.
- A list of proposed purposes was put forward by some members, consisting of target setting, hot spot identification, stakeholder reporting, and driving ambitious climate action. Some members disagreed that the location-based method was widely used for target setting.
- It was noted that a relatively new purpose of the location-based method may be transparency and disclosure for stakeholders, as evident by its inclusion in climate-related financial disclosures. A member raised that it would be helpful to further understand regulators impression of the purpose of the method and how they're using the information today. A perspective was shared that it seems like most regulatory programs are about investor risk and disclosures seek to give investors a comparable suite of information so they can make informed risk-based investment decisions.
- Members discussed the range of emission factors being used by reporters currently, noting analysis by CDP showing that within individual countries there is a range of average emission factors used.
- Members also commented that in theory the current guidance is supportive of consumption-based emission factors more aligned with accuracy, but both a lack of emphasis on this within the guidance and historical availability of this data has impacted its adoption.
- There was broad agreement on the benefits to standardized emission factors and members asked the Secretariat if it is within scope for the working group or the Secretariat to develop an emission factor database. The Secretariat responded that this would be discussed further however the task is outside the scope of work contained in the Scope 2 Standard Development Plan.
- Relative to Option B, questions were raised on what members see as being the issue with the current location-based method, specifically why more granular data should be used. Members responded with various reasons why they thought increased accuracy was important, including:
 - References to research showing a difference in accuracy between an annual system average emission factor and hourly emission factors.
 - Building awareness of the carbon impact of decisions in terms of both consumption levels and time of use (e.g., siting decisions, load shifting or curtailments, energy efficiency, etc.).
 - More accuracy targeting of inventory hotspots
 - Increasing fairness by giving organizations an opportunity to reduce their emissions through load shifting.
- Some members noted that the location-based method is intended to reflect the best approximation of a physical inventory of emissions in a complicated grid. They noted that granularity is needed for an accurate value chain inventory to report the emissions from the technologies that are dispatching to the grid at the time and the place of power consumption.
- Some members noted that different purposes of an inventory may be each be served best with different types of data and that increased granularity may achieve some uses better or less well. A comment was raised about the potential value of the guidance including recommendations on using different levels of emission factor granularity for different purposes.
- Members raised various other concerns about the current location-based method, including how to account for storage and how to account for off-grid systems that fall under scope 2.

Outcomes (e.g. recommendations, options)

- The Secretariat noted questions members asked for consideration in subsequent meetings, including:
 - How are climate related financial disclosure programs using the location-based method?
 - How are organizations currently using the location-based method?
 - Where are users sourcing average emission factors used under the location-based method?

6. Member feedback discussion - Option B

- The Secretariat briefly outlined the reporting requirements proposed under Option B and then the meeting continued with TWG discussion on the members' assessment of this option against the decision-making criteria as well as responses to the discussion questions put forward for Option B.

Summary of discussion

- Some noted Option B appeared to be moving away from the use of a data hierarchy and suggestions were made to maintain a hierarchy and to 'recommend' rather than 'require' increased granularity.
- A comment was raised that the scope 2 standard could define clear "quality criteria" on grid average emission factor calculations, following a similar logic to quality criteria for contractual instruments in the market-based approach.
- A member raised the need for further discussion on spatial granularity, noting that at a minimum there is a need to move away from prescriptive national based emission factors that don't always reflect grid boundaries.
- Members discussed various feasibility concerns with introducing increased granularity, including time delays with publication of commonly used emission factors, lack of access to time granular emission factors in some countries (South Asia was noted), and complexities or the inability to access granular consumption data. Numerous members noted that for the method to be feasible emission factors need to be available for any reporter to use.
- Members noted that it would be valuable for the group to further clarify what Option B would look like in practice. For example: how much more work would Option B impose on organizations? How much readily available data is there? How necessary is it that every reporting organization is able to do this – noting tensions with comparability and feasibility?
- A member reiterated the various purposes of an inventory, noting it is not just about ambitious climate action but also holding companies accountable for all emissions. They noted if load shifting is happening then it's relevant to reflect those emissions even if the activity does not reduce emissions.
- Members noted that stakeholder-oriented analysis might be necessary to make sure that the development of the location-based method can improve over time, as information from local grid utilities is necessary to support Option B.
- Some members posted resources to granular emission factors that are currently available and noted that if increased granularity were to be required, much more availability of granular emission factors could be expected.
- There was discussion about the definition of comparability and members asked for clarity on the application of this principle. The Secretariat clarified that comparability is not a current principle, but instead is a possible new, additional principle that's suggested to be applied where relevant for comparisons between organizations. The Secretariat noted that the full decision-making criteria and hierarchy will be available online soon after final approval.

Outcomes (e.g. recommendations, options)

N/A

7. Member feedback discussion - Option C

The Secretariat noted that Option C was not fully assessed by the Secretariat as more discussion is needed with the TWG to consider how the option should be considered for evaluation and if it is complementary to the other options or is distinct from them.

Summary of discussion

- An overview of a TWG member's interpretation of Option C was provided, describing it as a method for tracing power flows using data about the grid that some grid operators already produce. It was noted that power flow modelling may be more relevant as guidance for data providers that calculate emission factors than it is for reporting organizations preparing a scope 2 inventory.
- Members discussed potential concerns with Option C, noting it could have a distortive effect whereby the closer a reporter is located to a renewable generator the more credit they get for that generation, regardless of whether the reporter causes the generation.
- Members discussed whether Option C is a fundamentally different methodology from Options A or B. Some members clarified that it could be considered as a higher resolution version of a consumption-based emission factor at a regional level, rather than as a different mathematical process.
- One member raised that when the Scope 2 Guidance was being drafted originally, one of the purposes was to reduce double counting in the market and another purpose was to recognize users that put in extra effort for reducing their own footprints, so this guidance should still meet these purposes.

Outcomes (e.g. recommendations, options)

N/A

8. Next steps

The Secretariat ran an indicative poll to gauge members' initial views on the discussion topics of the meeting.

- The first question asked members if they supported keeping the current purposes of the location-based method, revising them or if they needed more discussion. 31/37 members present agreed in needing to revise the current purposes. 3/37 proposed keeping the current purposes. No members stated they needed more discussion.
- The second question gauged members' interest in revisions to the temporal and spatial requirements of the location-based method, based on the meeting discussion and assessment of Options A, B, and C using the Decision-Making Criteria. The poll results showed 5/37 members supported keeping the current temporal and geographic boundary requirements, 9/37 supported requiring more granular time and location matching, 14/37 support recommending more granular time and location matching, and 4/37 indicated more discussion was needed.
- The Secretariat concluded by talking through logistics for the next meeting:
 - The next meetings are back-to-back meetings on the market-based method on December 17th and 18th. Members are asked to come to both meetings.
 - The discussion paper on technical improvements to the market-based method was shared with the TWG on November 25th.
 - Survey feedback related to the market-based discussion paper is due on the morning of Friday, December 6th, which has been moved up by one business day to facilitate the Secretariat's ability to process feedback in time for the following meeting.
 - The Secretariat noted that the meeting scheduled for January 9th has been postponed to January 16th.
 - The Secretariat asked members to begin thinking about revisions to the location-based method and encouraged members to work in groups. The first draft of revisions to the location-based method will be due on January 14th.
- The Secretariat concluded the meeting.

Summary of discussion

N/A

Outcomes (e.g. recommendations, options)

- TWG members were requested to review the final section of the discussion paper, 'Market-based method technical improvements,' and complete Survey #3 by Friday, December 6th at 03:00AM EST.

Summary of written submissions received prior to meeting

N/A