

Actions and Market Instruments Technical Working Group

Meeting #1.04

GHG Protocol Secretariat team:

Michaela Wagar, Kevin Kurkul, Nisalyna Bontiff, Alejandra Bosch

February 19, 2025

Agenda

- Housekeeping
- Process check-in
- LSR interim traceability guidance
- Ongoing feedback processes
- Framework proposals
- Next steps



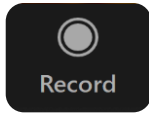
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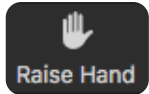
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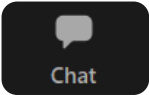
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This meeting is recorded.



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.

Guidelines and Procedures

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*

* 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

AMI TWG Shared Values

- Always **be respectful**
- Take space, make space
- There are **no bad ideas or questions**
- **Be pragmatic** – balance perfect with actionable
- **Be open** to differing points of view and **curious** about all sides of a discussion
- **Keep integrity** at the heart of decision-making and consider real word impacts
- **Keep focus** on the long-term goal of developing an effective standard

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New AMI member

- Welcome to our newest member of the GHG Protocol secretariat, Nisalyna Bontiff! She will be with us for the next 6 months supporting the AMI workstream.



Nisalyna Bontiff, Intern (WBCSD)

Today's Objectives

1. Outline phase 1 development process
2. Review the interim traceability requirement from the Land Sector and Removals Standard
3. Outline next steps for continued development of use cases and typology
4. Review framework proposal submission

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Phase 1 Development: Accounting & Reporting Framework

March 2025

Q4 2025

Review Proposals

- Review options and discuss pros and cons of implementation
- Align on a proposal for continued development

Resolve Phase 1 Requirements

- Prioritize accounting & reporting requirements needed for a robust public framework
- Pressure test with examples of actions and market instruments

Accounting & Reporting Framework Recommendation

- TWG recommendation to ISB for final approval
- Summarize outcomes for public communication and targeted feedback
- Finalize scope of work for Phase 2

Approaching development in phases

- Approaching development in two phases:
 - Prioritizes efficient yet meaningful discussions without requiring an immediate solution to every question
 - Allows for early public communication on the intended framework (Q4 2025)
- Phase 1 must provide clarity on the accounting and reporting framework in addition to resolving the necessary threshold of requirements that will **minimize the risk of changes to the publicly communicated outcomes** during Phase 2 development



Meeting Schedule

- Where we are:

Meeting	Date	Topic
1	Oct 23, 2024	Content introduction
2	Dec 4, 2024	Current GHG Protocol approach, introduction of use cases
3	Jan 15, 2024	Achieving use cases in relation to reporting structure
 4	Feb 19, 2025	LSRS interim traceability requirement & framework proposals
5	Mar 26, 2025	Review & discuss proposals
6	Apr 23, 2025	Refine & discuss proposals
7	May 21, 2025	Resolve Phase 1 requirements
8	June 18, 2025	Finalize recommendation to ISB

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Land Sector and Removals Standard and Guidance

What does the Guidance cover?

- Land management emissions and land use change emissions
- CO₂ removals and storage
- Biogenic products and technological removals across the value chain (scope 1, 2 and 3)

Why is it relevant?

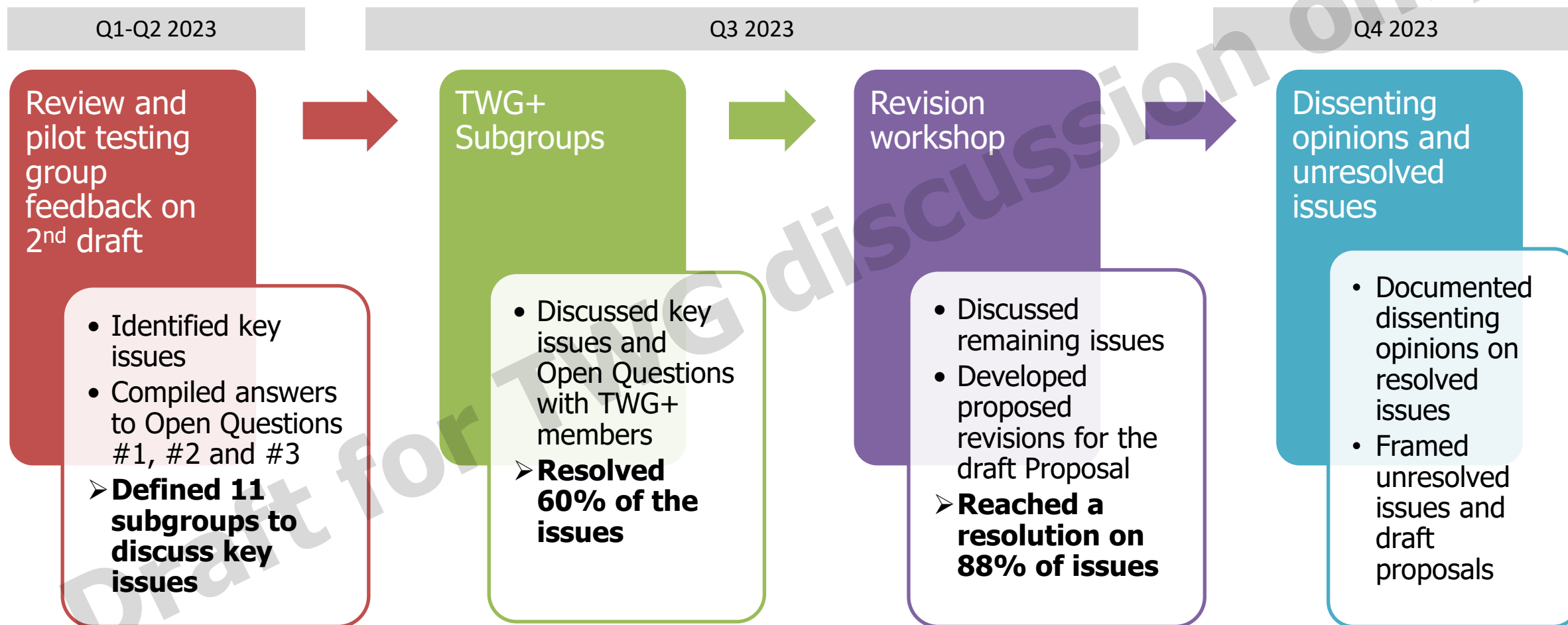
- Provides the framework to account for and report corporate-level GHG emissions from the **agriculture, forestry and other land use sector**, which comprises of **25% of global GHG emissions**
- Provides accounting approach for carbon dioxide **removals**
- Guidance on **target setting and tracking progress**
- Expected to be used by **key initiatives** that follow GHG Protocol such as CDP, SBTi, etc.

How is it developed and who is involved?

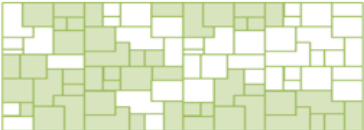
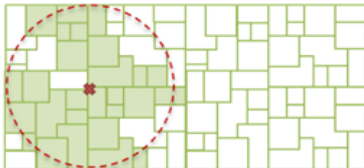
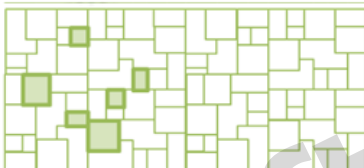
- **Global, multi-stakeholder development process**, including 100+ Advisory Committee & Technical Working Group members, 300+ reviewers and 96 pilot testing companies and supporting partners



Process: TWG+ process for reaching resolution



Scope 3 spatial boundaries for the land sector

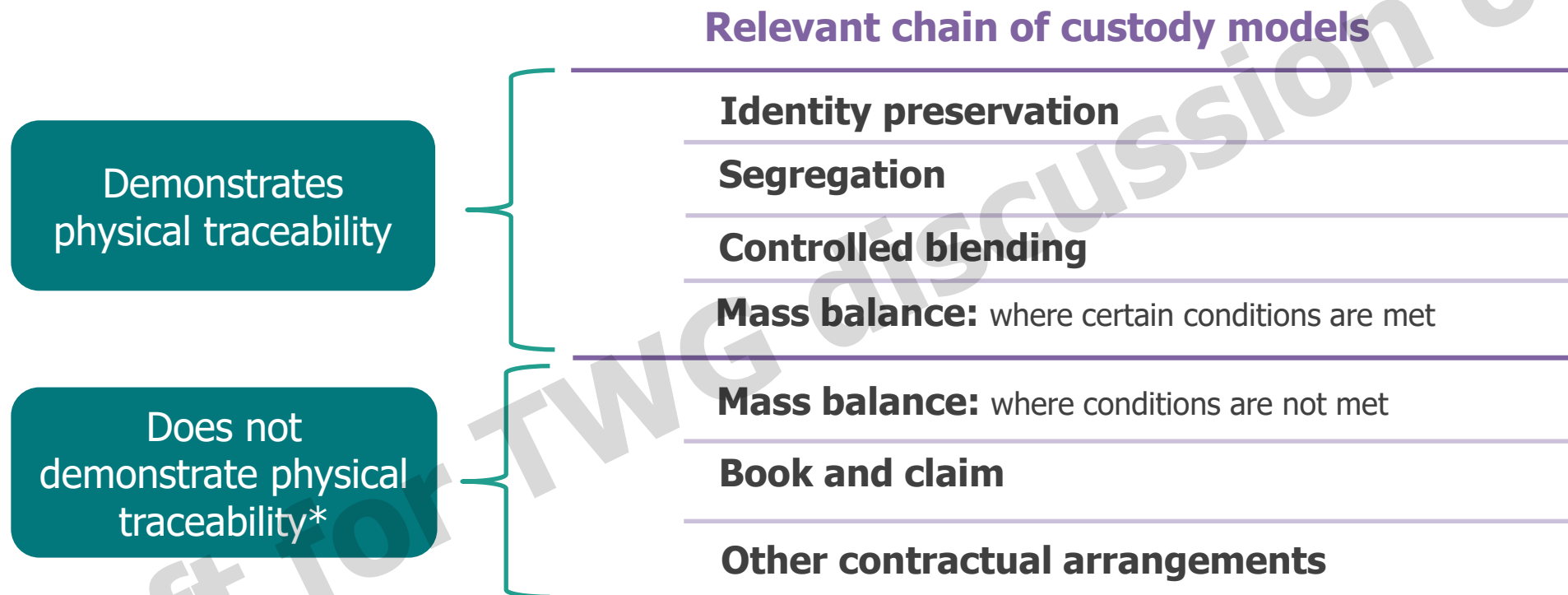
	Spatial boundary	Level of traceability	Lands included in the analysis
	Global	No knowledge of region of origin or use	Attributable managed lands globally
	Jurisdictional	To a subnational jurisdiction, country, or political region of origin or use	Attributable managed lands in the jurisdiction
	Sourcing region	To the first collection point(s) or processing facility(ies) of origin or point of distribution for use	Attributable managed lands in the sourcing region boundary
	Land management unit (LMU)	To the LMUs of origin or use	Lands in the LMU boundary, with the option to include proximate and adjacent lands
	Harvested area	To the fields or forest stands of origin or use	Lands in the harvested area boundary

Interim Traceability Requirement

To account for emissions, removals and other metrics at these various spatial scales **companies must demonstrate they have physical traceability to relevant lands within their value chain**, which may vary by activity and/or product type. Requirements on impact traceability are pending.

- **Physical traceability** is when a company has the ability to identify, track, and collect information on activities (e.g., activity data or GHG emission or removals factors) related to material flows of goods and services in its value chain, across its upstream and downstream processes and products.
- **Impact traceability** is when a company has the ability to identify, track, and collect information on the GHG emission or removal impacts of projects or interventions in the value chain of goods and services purchased or sold by the company, including upstream and downstream processes and products.

Chain of Custody Models



*Separately reported from the physical GHG inventory

Mass Balance Chain of Custody models



Demonstrates physical traceability

- Relevant product characteristic is reconciled over a **defined reconciliation period**.
- **Physical, economic or other proportional allocation methods** are applied
- Mixing of products within one of the following mixing boundaries:
 - Batch-level
 - Site-level
 - Multi-site or group-level within the same country and sourcing region



Does not demonstrate physical traceability

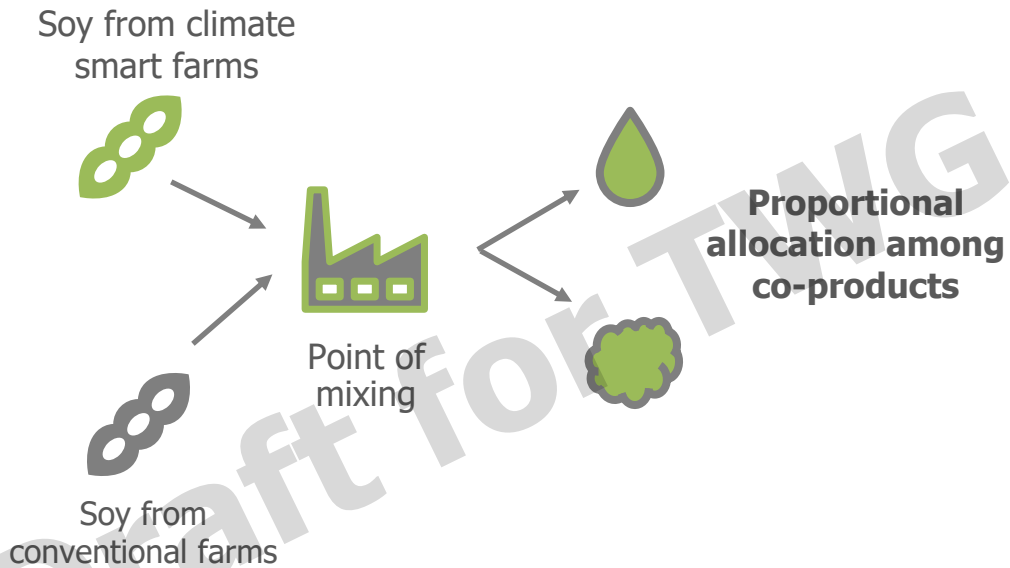
- No clear documentation of how reconciliation of specified characteristics is provided
- **Free allocation is applied**
- Mixing of products occurred in a group of multiple sites in different countries or sourcing regions

Allocation within Mass Balance



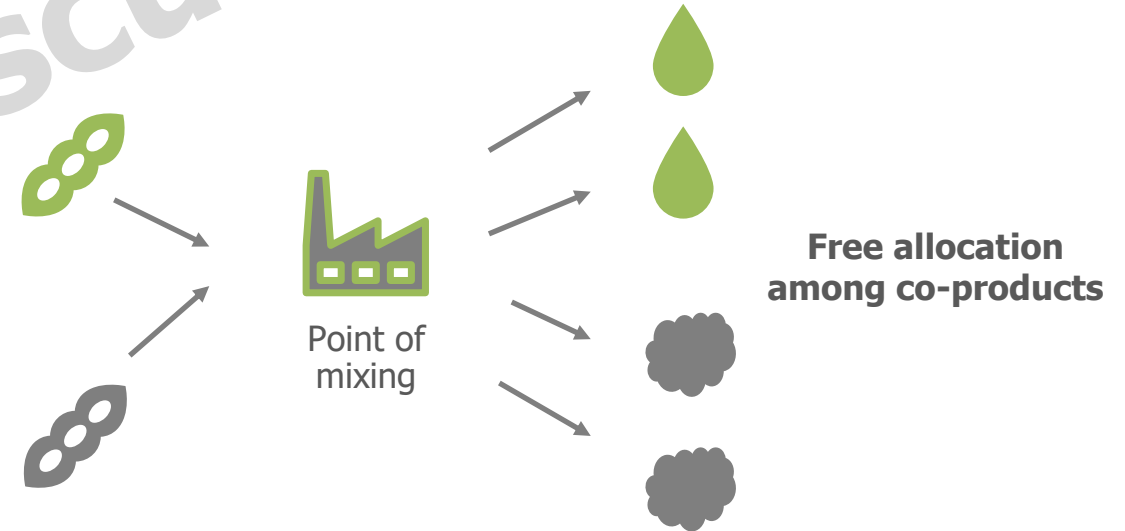
Physical traceability

Mass balance CoC that meets criteria



Not physical traceability

Mass balance CoC that doesn't meet criteria



Scope 3 land management removals (LMR) traceability requirement

Companies can only account for land management CO₂ removals where they have traceability to one of the following:

Level of attribute	Scale of Physical Traceability	Scale of Impact Traceability	Reporting requirement
1) Land management unit	Land management unit	Any	Report as physical inventory emissions, organized by scope as applicable
2) Sourcing region	Attributable managed lands in the sourcing region	Any	Report as physical inventory emissions, organized by scope as applicable
3) Land management unit	Sourcing region (LMU unknown)	Land management unit	Report separately

'Right to report' in the LSR Standard

LSR Standard Requirement: Scope 3 allocation for removals

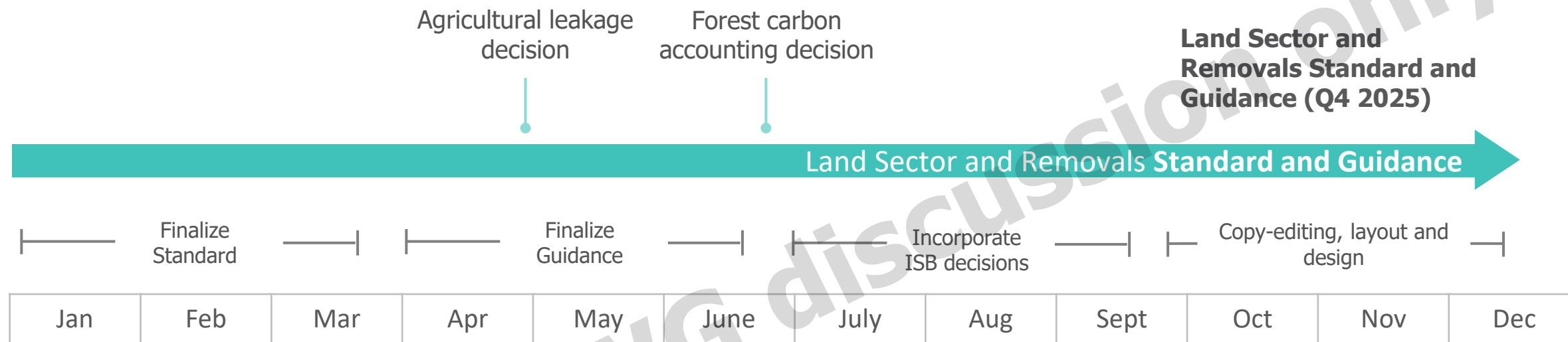
Companies shall not double count scope 3 removals from the same LMU or sourcing region with other companies at the same or similar tiers of the value chain that source from or sell to that land management system. The sum of the allocated removals shall not exceed 100 percent of the removals occurring on the LMU or sourcing region in the reporting year.

'Right to Report'

One approach companies may apply to account for and report scope 3 removals from a particular LMU or to consistently track scope 3 emissions from a given LMU over time where physical traceability is established. This approach may help prevent double counting with other companies at the same tiers of the value chain, ensure free prior informed consent is provided by landowners or managers, and provide documentation of traceability.

- When establishing a 'right to report' it is the landowner's or land manager's decision:
 - 1) The GHG programs or systems (if any) where the removals are accounted for;
 - 2) Whom within a given GHG program or system can account for the removals (e.g. downstream companies in the value chain of products they sell).
- That 'right to report' may cascade through the supply chain
- **The 'right to report' documentation could provide evidence for impact traceability (subject to further discussion within AMI to define)**

2025 Timeline



Pending discussions

- **Leakage** — There is a high potential for leakage in the land sector, corporate actions to reduce emissions and/or increase removals within their inventory could lead to increased emissions and/or decreased removals outside of their traditional inventory boundary. Including information on broader global land use and associated GHG impacts provides a more complete representation of a company's land sector impacts.
- **Forest carbon accounting** — Distinguishing anthropogenic from non-anthropogenic emissions or removals due to corporate forest sector activities is complex. This is because forests both emit and remove CO₂ and do so both because of and despite human activities. The "managed land proxy" and "activity-based" accounting approaches are being considered.

Discussion Questions

How should the physical traceability requirement in the Land Sector and Removals Standard be considered for cross-sector application when estimating emissions and removals to clarify the role of chain of custody models in the physical inventory?

Is impact traceability a useful concept for continued consideration as the TWG develops requirements for additional reporting elements?

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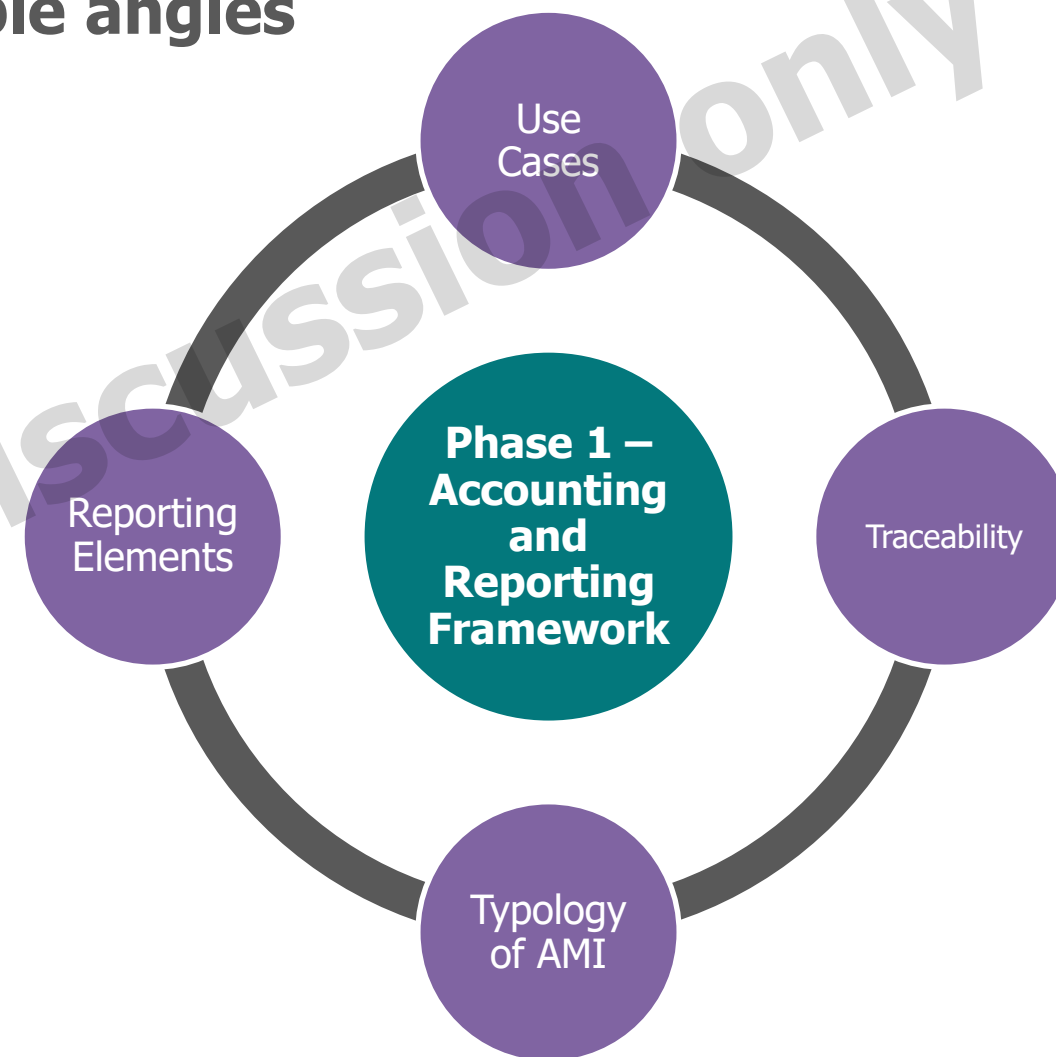
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Approaching development from multiple angles

- As we continue discussions and 'tighten the screw' on each topic, the overall framework will be better defined
- This will require continued asynchronous feedback in addition to TWG discussions
- Ongoing feedback channels:
 - List of use cases
 - AMI typology



Continuing to refine list of use cases

- Use cases were gathered during TWG Meeting #1.02 and further condensed in Meeting #1.03
- The lists are available on the TWG SharePoint as word documents, where members can add and respond to comments to continue refining the lists
- The Secretariat is also working across TWGs to ensure alignment within the corporate suite

Use cases of corporate GHG accounting and reporting that should be supported by GHG Protocol

Measure and publicly report on corporate GHG information.

- Provide a comprehensive overview of climate performance and progress
- Set and monitor progress against externally validated targets
- Enhance stakeholder information and corporate reputation
- Inform purchase decisions based on climate performance

Measure and report a GHG inventory

- Evaluate GHG regulatory risk
- Evaluate corporate responsibility for emissions
- Provide data to meet regulatory requirements
- Identify GHG-related risks in the value chain
- Identify 'hot spots' to inform internal action
- Identify opportunities for collaboration with suppliers and buyers
- Enable comparison or benchmarking against peers or competitors

Measure and report on corporate actions to reduce/avoid emissions

- Demonstrate contribution towards collective action
- Demonstrate the impacts of actions at a product-level
- Allocate ownership of intervention outcomes
- Demonstrate the impact of actions in comparison to actual operational emissions

Use cases outside of the scope of GHG Protocol or the corporate suite of standards

- Evaluate companies' climate resilience and/or risks
- Provide data to inform national inventories
- Evaluate sector-level performance
- Demonstrate corporate action that exceeds regulatory alignment
- Identify cost-effective mitigation opportunities
- Inform development of internal carbon-pricing systems

Is it the role of GHG Protocol to incentivize climate aligned corporate action?

Examples:

- Provide support to grow nascent markets for climate-positive products
- Reward [first-movers](#) in adoption of climate-positive solutions

Typology of actions and market instruments: Purposes

- To further explore the relevance of actions and market instruments to GHG Protocol accounting and reporting, we are assembling a typology of actions and market instruments
- This typology is intended to serve as an internal tool for the technical working group to provide clarity on the components and diversity of actions and market instruments
- The development of an AMI typology will enable several outcomes within the development process for the AMI Standard:
 1. The demarcation of typology categories will help to establish the guidance components necessary for the phase 1 framework proposals
 2. Individual AMI examples can be used to 'internally pilot test' proposed accounting and reporting approaches
 3. The complete list can be a reference point for finalizing definitions of associated terms

Typology of actions and market instruments: Process

- TWG member submission of examples of actions and market instruments were requested after Meeting #1.03
- Currently, the Secretariat is reviewing and organizing submissions
 - Those who submitted form responses and supporting materials will be contacted to determine whether that material can be shared with the TWG
 - The Secretariat will then post the available information on the SharePoint so that they are accessible to all TWG members
- As we look ahead towards framework proposals, we can use categories from the typology, together with other inputs like the LSRS interim traceability guidance, to assess the necessary requirements for Phase 1 resolution

AMI Typology – submission categories

- What type of claim is being made by the credit or certificate
 - GHG data (e.g. removal, reduction, avoided)
 - Product attribute (i.e. type and/or amount)
- What is the nature of the associated carbon accounting claim?
 - Emission reduction
 - Removal enhancement
 - Avoided emissions
 - Environmental attribute
- What accounting approach is used for the associated carbon accounting claim?
 - Attributional / Allocational
 - Intervention / Consequential
 - Hybrid
- What is the relevant (if any) chain of custody model?
 - Identity preserved
 - Segregated
 - Mass balance
 - Book and claim
 - Other

Check-in

- Were these questions and options adequate for describing and differentiating actions and market instruments within corporate GHG accounting?
- What methods are preferred for document collaboration?

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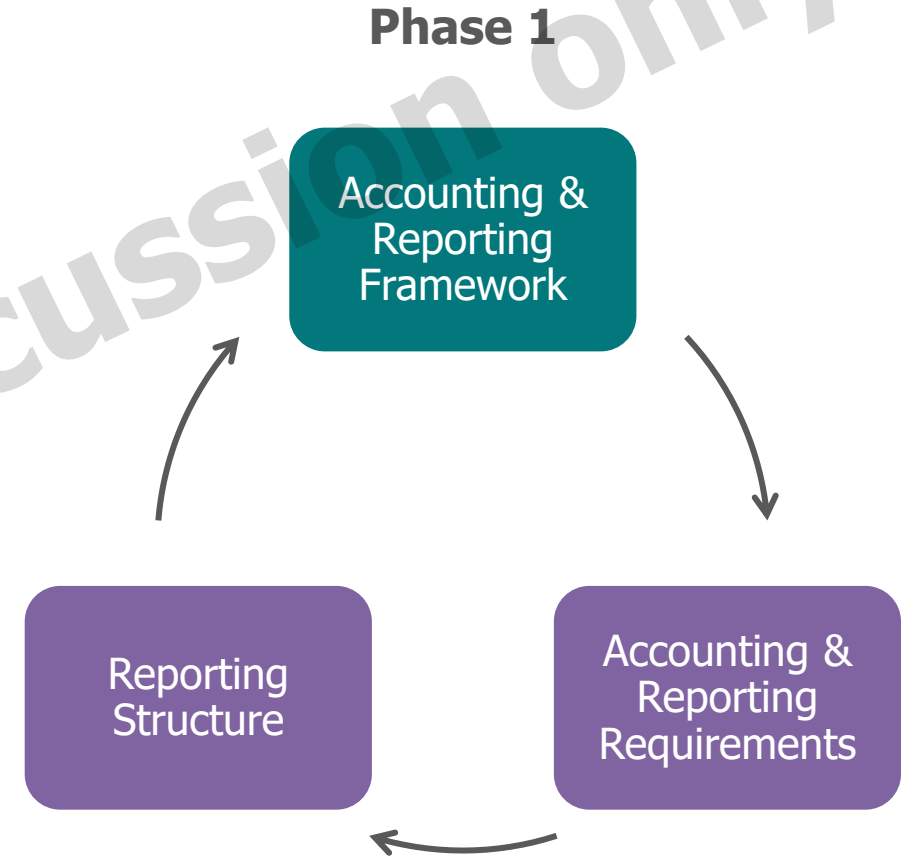
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Development Cycle

- As the AMI TWG you are being asked to consider the broader GHG Protocol aligned corporate accounting & reporting framework
- Within Phase 1, development will be cyclical with details building as we continue discussions



First Draft Framework Proposals

- Draft proposals should be emailed to the secretariat team by **Weds, Mar 12th**
- First draft proposals should:
 - Be submitted in PowerPoint format
 - Include justification/rationalization for each new or revised element
 - Include an initial discussion of new or revised accounting & reporting requirements and relevant examples
- Templates of the reporting hierarchy and multi-statement model will be made available in the SharePoint for use in proposals
- Please be prepared to present and discuss your submission to the group in the next meeting on March 26th

Framework Proposals: Items to include

Reporting Structure

- ☐ Reporting model (statements, ledgers etc.)
- ☐ Additional reporting elements including:
 - ☐ Name
 - ☐ Hierarchy level
 - ☐ Intended use cases

Accounting and Reporting Requirements

For new elements or for clarifying the role of AMI in existing elements:

- ☐ Traceability (LSR proposal or other)
- ☐ Boundaries
- ☐ Accounting method

Framework Proposals: Areas to keep in mind

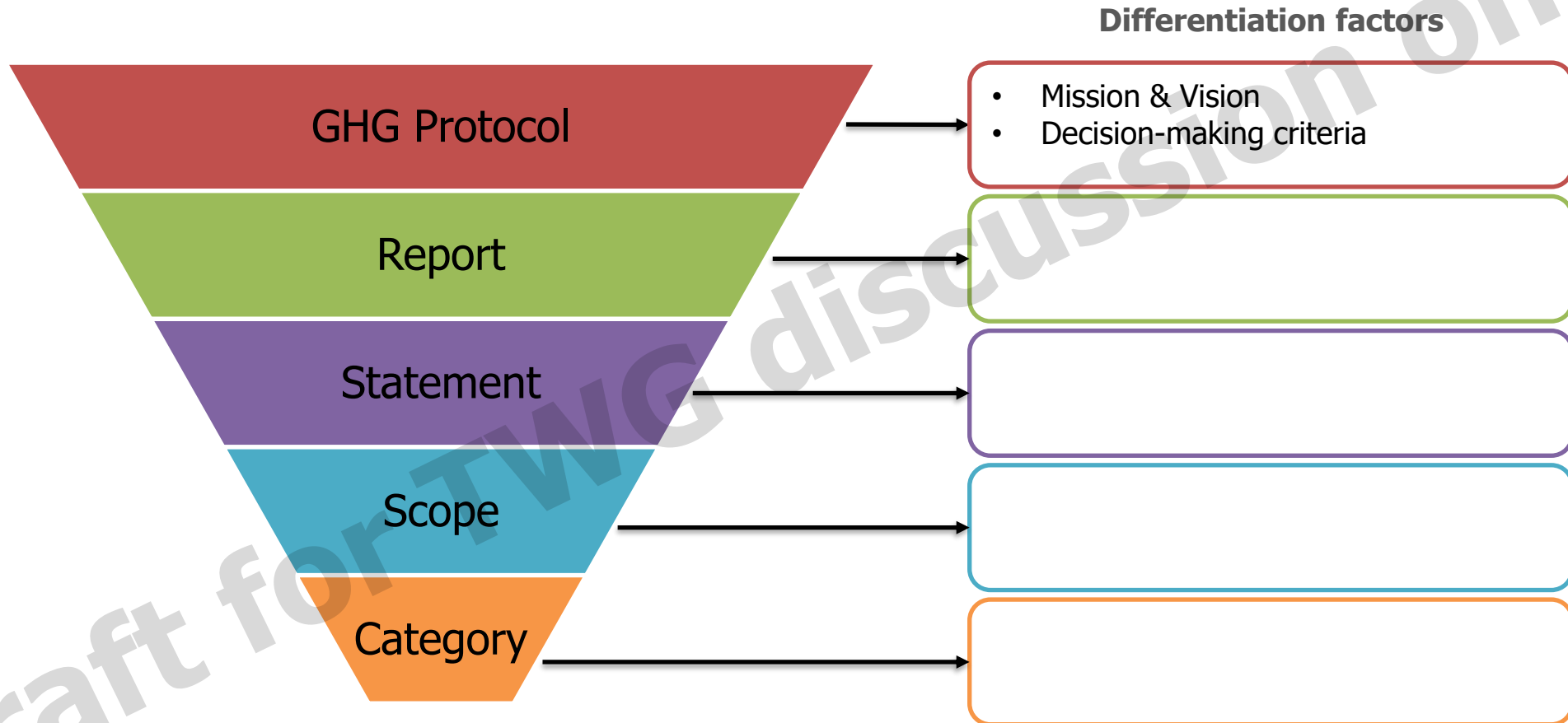
Questions to Consider

- Are the methods used in each element “fit for purpose” with the assigned use cases?
- Is the proposed framework a holistic (cross-sector) solution?
- How is double counting addressed?

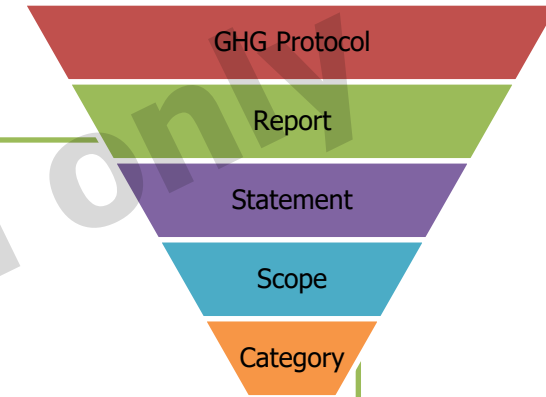
Decision-Making Criteria



Template Hierarchy



Template for a multi-statement model



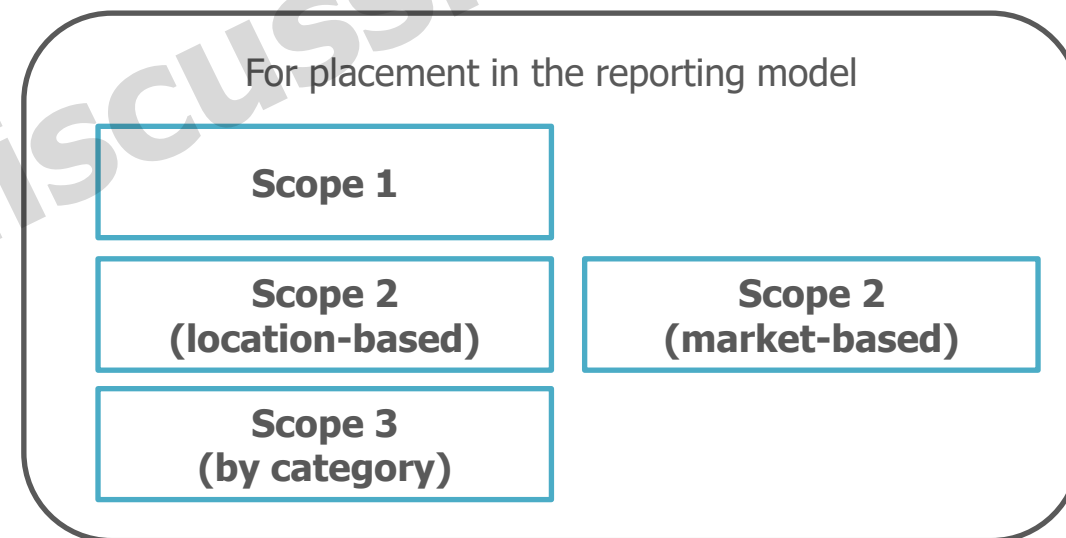
Public GHG Report

Statement #

--- TBD

Using the templates

- Place the scopes below as defined by the existing corporate suite of standards in the model according to your proposed framework
- Any proposals that would require changes to the current standards, **relevant to AMI scope of work**, should be explicitly stated and justified



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Next Steps

Asks for TWG Members

- Submit requests to the [open discussion form](#) **by Friday, Feb 21st** to be considered for call on Feb 26th
 - Agenda for optional open discussion calls will be sent out the Monday prior (i.e. Feb 24th)
- Framework proposals due **by Weds, Mar 12th**

Next Meeting Dates

- **Open Discussion Meeting**
 - Wednesday, February 26th
- **TWG meeting # 1.05**
 - Wednesday, March 26th

Thank you!

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