

# Actions and Market Instruments Technical Working Group

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## Meeting #1.06

### **GHG Protocol Secretariat team:**

Michaela Wagar, Kevin Kurkul, Nisalyna Bontiff, Elliott Engelmann

**April 23, 2025**

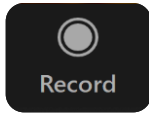
# Agenda

- Housekeeping (5 min)
- Update: SBTi (20 min)
- Update: Scope 2 (20 min)
- Proposals and Discussion (70 min)
- Next steps (5 min)

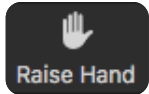


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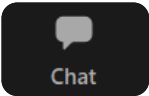




This meeting is recorded.



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\*

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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

## 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

## Updates


- New team email: [AMIGHGP@wri.org](mailto:AMIGHGP@wri.org)
  - Moving forward, please send any general inquiries, technical issues, proposal submissions etc. here.
  - All existing calendar invites will be cancelled, and you will receive new invites through 2025 from this centralized email.
- Reminder that the [feedback form](#) is always open for requests to present, topics for open discussion calls etc.
- The Secretariat has provided multiple updates to the ISB regarding AMI TWG progress. These slides are now available on the TWG SharePoint for reference.

## Today's Objectives

1. Receive an update from SBTi on AMI related topics in the draft Corporate Net-Zero Standard version 2.0
2. Receive an update from the Scope 2 Secretariat
3. Review areas of alignment in proposals
4. Identify and discuss main points of divergence

## 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	LSR Standard interim traceability requirement & framework proposals
5	Mar 26, 2025	Review & discuss v1 proposals
 6	<b>Apr 23, 2025</b>	<b>Areas of proposal divergence</b>
7	May 21, 2025	TBD
8	June 25, 2025	Feedback from ISB



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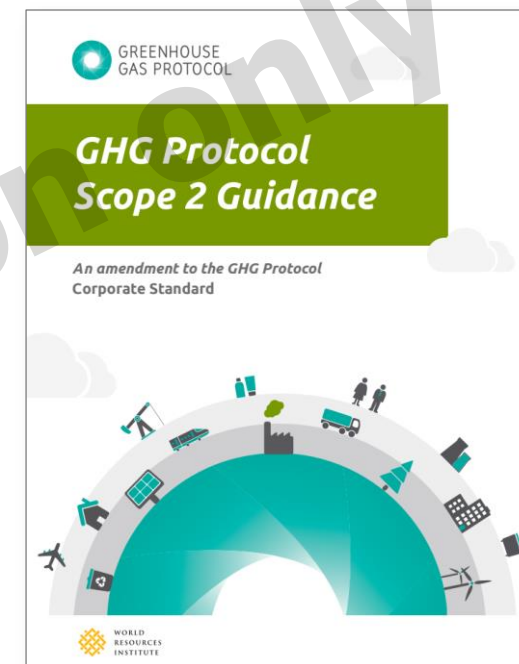
## Scope 2 Standard: Scope of work

### Scope of work **Phase 1:**

- A. Clarify objectives and consider any changes to the required reporting methods
- B. Location-based method technical improvements
- C. Market-based method technical improvements
- D. Role of project-based accounting methodology relative to scope 2 accounting
- E. Guidance for regional variation in energy markets
- F. Interaction with policies and programs

### Scope of work **Phase 2:**

- A. TWG consultation on any additional topics as necessary from Phase 1
- B. Interactions across Scope 2 and Scope 3
- C. Guidance for purchased steam, heat, and cooling
- D. Utility-specific guidance and clarification on T&D losses
- E. Technical methodology guidelines for data providers
- F. Technology-specific guidance



### **Scope 2 Guidance**

➔ **Second Edition**

# Summary of Revisions to the Location Based Method Definition and Purpose/Use

## 1. Definition

- **Clarified and reinforced:** The LBM continues as a method to quantify scope 2 GHG emissions of electricity delivered in a specific place and time, independent of contractual arrangements.

## 2. Purpose and Use

- **Revised and clarified:**
  - Allocating emissions based on a reporter's **contribution to aggregate physical demand for grid electricity**.
  - Representing the **average GHG intensity of grid electricity consumed**, regardless of market or contracts.
  - Enabling risk and opportunity assessments related to **reliance on physical grid supply**, where such risks are conveyed through average grid emissions intensity.
  - Supports abatement planning, highlighting high-emissions locations and informing decisions where grid-average data is relevant
- **Reinforced:**
  - LBM is attributional and intended for use in corporate inventories.
  - LBM focuses on the emissions intensity of "consumed" electricity.
  - Supports target-setting based on grid emissions intensity trends (tonnes/MWh), promoting alignment with grid decarbonization.
  - Supports consistent comparability across sectors and grid regions over time, using average emissions as a benchmark.

# Summary of Revisions to the Market Based Method Definition and Purpose/Use

## 1. Definition

- **Revised and clarified:**
- The MBM quantifies scope 2 emissions based on specific generation sources contractually linked to the reporter, with time matching and deliverability within a defined market boundary.
- Aligned with inventory principles: Reflects both physical and contractual relationships, allocating generator emissions to the end-user.

## 2. Purpose and Use

- **Clarified and expanded:**
  - Enables companies to reflect electricity procured through specific contracts (e.g., PPAs) and certificates.
  - Supports risk and opportunity assessment related to contractual relationships.
  - Creates market signals to influence supply-side decarbonization.
  - Enables facility siting and procurement planning based on access to clean energy procurement.
  - Differentiated target-setting tied to electricity supply attributes.
  - Supports abatement planning based on energy use and supplier relationships.
  - Informs policy engagement by clarifying necessary market conditions for clean procurement.

## Scope 2 TWG: Relevant Active Discussions

The Scope 2 Technical Working Group is continuing to work through outstanding issues to develop an updated approach for scope 2 accounting and reported. Some of those issues include:

**Issue 1:** Vintage and market boundaries

**Issue 2:** Role of Causality, Incrementality, Standard Supply Service, and Voluntary Procurement

**Issue 3:** Using estimated vs. actual activity data

**Issue 4:** Treatment of residual mix

**Issue 5:** Dual reporting, goal setting and tracking, and additional metrics

**Issue 6:** Refinement of purposes, uses, and claims; clarifications on reporting impacts

# Secretariat Interpretation of Initial ISB Scope 2 Feedback

- The following summarizes some of the initial response from the Independent Standards Board related to the outstanding issues identified:
- **GHGP needs to incentivize ambitious actions**
  - ISB members generally indicated a desire for companies to be able to make claims related to their actions in order to incentivize climate mitigation practices
  - A member noted that GHGP should be setting the standard of what best practice looks like and should minimize setting limitations on the level of ambition where possible
- **Clarity on attributional and consequential accounting in the context of the MBM**
  - Several ISB members emphasized the importance of maintaining clear boundaries between attributional inventory accounting and consequential accounting, advising caution about conflating these concepts.
- **Provide clarity on reporting elements within a broader scope 2-related report**
  - ISB members generally shared interest in considering what a model comprehensive GHG report could look like for the electric power sector, inclusive of scope 2 inventory and consequential metrics.
- **Support for concept of physical deliverability**
  - Several ISB members indicated strong conceptual support for refining market boundaries toward demonstrating deliverability of procured generation, ensuring procurement plausibly matches consumption locations.
- **Ensure global feasibility**
  - Several ISB members highlighted practical considerations, urging careful consideration of geographic and physical constraints
  - Several ISB members encouraged further consideration of tiers or thresholds for MBM accounting requirements
  - Several ISB members asked for consideration of situations in which physical connection to projects is not possible

## Scope 2 Subgroup - consequential electric sector emissions impact measures

- **Purpose**

- To develop recommendations on consequential quantification and reporting of GHG emission impacts resulting from a reporting organization's electricity sector actions for consideration by the AMI TWG

- **Objectives**

- Provide focused, actionable recommendations to advance consequential accounting measures.
- **Part 1:** Outline of additional disclosure elements (e.g., statements, categories, etc.) needed to report on consequential measures of GHG emission impacts of electricity sector actions.
- **Part 2:** Create a detailed proposal for the AMI TWG on consequential accounting and reporting of electricity sector emissions impacts, including clear methodologies and guidance for calculation.

- This output of this subgroup will **serve as an input to the AMI TWG discussions** as we evaluate proposals



## Update on consequential subgroup deliverable

- Three proposals have been submitted for methods to quantify emissions impacts of electricity sector actions
- With the majority of support thus far, Proposals 1 and 2 will be the focus of the subgroup's part 2 work

### Proposal 1: Marginal Emissions Impact

- Induced consumption from load, using MERs
- Avoided emissions from generation projects (additionality required) using MERs
- Net impact (induced – avoided)

### Proposal 2: Ad-hoc Consequential Guidance

- Applicable to all projects that have a high likelihood of producing negative secondary effects
- Accounting framework closely resembles traditional project accounting

### Proposal 3: Routine Consequential Accounting

- Emissions induced or avoided from changes in electricity demand
- Emissions induced or avoided from changes in electricity procurement
- Impact score, relative to the highest possible global impact

## Subgroup Proposal 1: Marginal Emissions Impact

### Key elements

- **Induced Consumption**<sup>1</sup> Emissions (IC): emissions caused by a company's demand for electricity
  - total consumption \* marginal emissions factors (MEF)
- **Avoided Emissions** (AE): an assessment of emissions avoided caused by procured renewable energy
  - total generation \* marginal emissions factors (MEF)
- **Net Impact** (absolute and % basis): derivative metric from above
- Supporting Information: basis for additionality/causality claim for AE values; identification of emission rates used, qualitative impact assessment where applicable

### Scope of assessment

- All electricity consumption occurring during reporting period
- Electricity generation during reporting period from all active generation and storage projects that meet (TBD) additionality criteria
- Geographic boundary of assessment – global (may do more local procurement)
- Limited to primary electric-sector impacts, including build and operating margin effects; separate calculation of upstream impacts (e.g., scope 3 category 3).

1. Stakeholders use different names for this calculation (e.g., carbon baseline, carbon footprint, or consumption benchmark).

## Subgroup Proposal 2: Ad-hoc Consequential Guidance

This proposal is complementary to the *Routine Marginal Impact* proposal and is NOT an alternative to that proposal.

### Elements of the ad hoc consequential emissions statement

- Baseline scenario emissions/removals for Action A
- Intervention scenario emissions/removals for Action A
- System-wide change in emissions/removals caused by Action A
- Etc...

### Scope of assessment

- **Recommended or required:** All actions that could have a potentially significant negative impacts (i.e., increase GHG emissions and/or decrease removals) outside the scope 1, 2 and 3 boundary
- **Recommended:** all actions that could have a potentially significant positive impacts on emissions/removals inside or outside the scope 1, 2 and 3 boundary
- **Geographic boundary of assessment:** all significant sources and sinks that change due to the action assessed

We are here



## Subgroup meeting schedule

	Q1 2025			Q2 2025				
	Feb 6	Mar 6	Mar 20	Apr 10	May 1	May 22	Jun 12	TBD
Meeting #	1	2	3	4	5	6	7	8
Topic	Scope of work and purposes	First draft of Part 1 deliverable	Part 1 deliverable continued	Discuss Part 2 deliverable plan	Continued refinement of Part 2 deliverable			Final deliverables
Meeting Content	<ul style="list-style-type: none"> <li>- Address timeline and deliverables</li> <li>- Brainstorm purposes</li> <li>- Review next steps</li> </ul>	<ul style="list-style-type: none"> <li>- Review subgroup submissions on reporting structure</li> <li>- Discuss and prep revisions</li> </ul>	<ul style="list-style-type: none"> <li>- Review updated part 1 deliverables and discuss</li> </ul>	<ul style="list-style-type: none"> <li>- Final discussion on part 1 deliverable</li> <li>- Review plan for part 2 deliverable</li> </ul>	<ul style="list-style-type: none"> <li>- Calculation methods</li> <li>- Boundaries</li> <li>- Additionality</li> <li>- Purposes and uses of data</li> </ul>	<ul style="list-style-type: none"> <li>- Temporal and geographic granularity</li> <li>- Emission factors</li> <li>- Feasibility</li> </ul>	<ul style="list-style-type: none"> <li>- Examples and case studies</li> <li>- Cross-sector applicability</li> </ul>	<ul style="list-style-type: none"> <li>- If needed final discussion/approval of part 2 deliverable</li> </ul>
TWG Tasks		Develop draft emissions impact reporting structure, to be discussed at meeting #2	Review updated proposals.	Review final proposal drafts.	Continued development of drafts of part 2 deliverable	Continued development of drafts of part 2 deliverable	Continued development of drafts of part 2 deliverable	Prepare final part 2 deliverable

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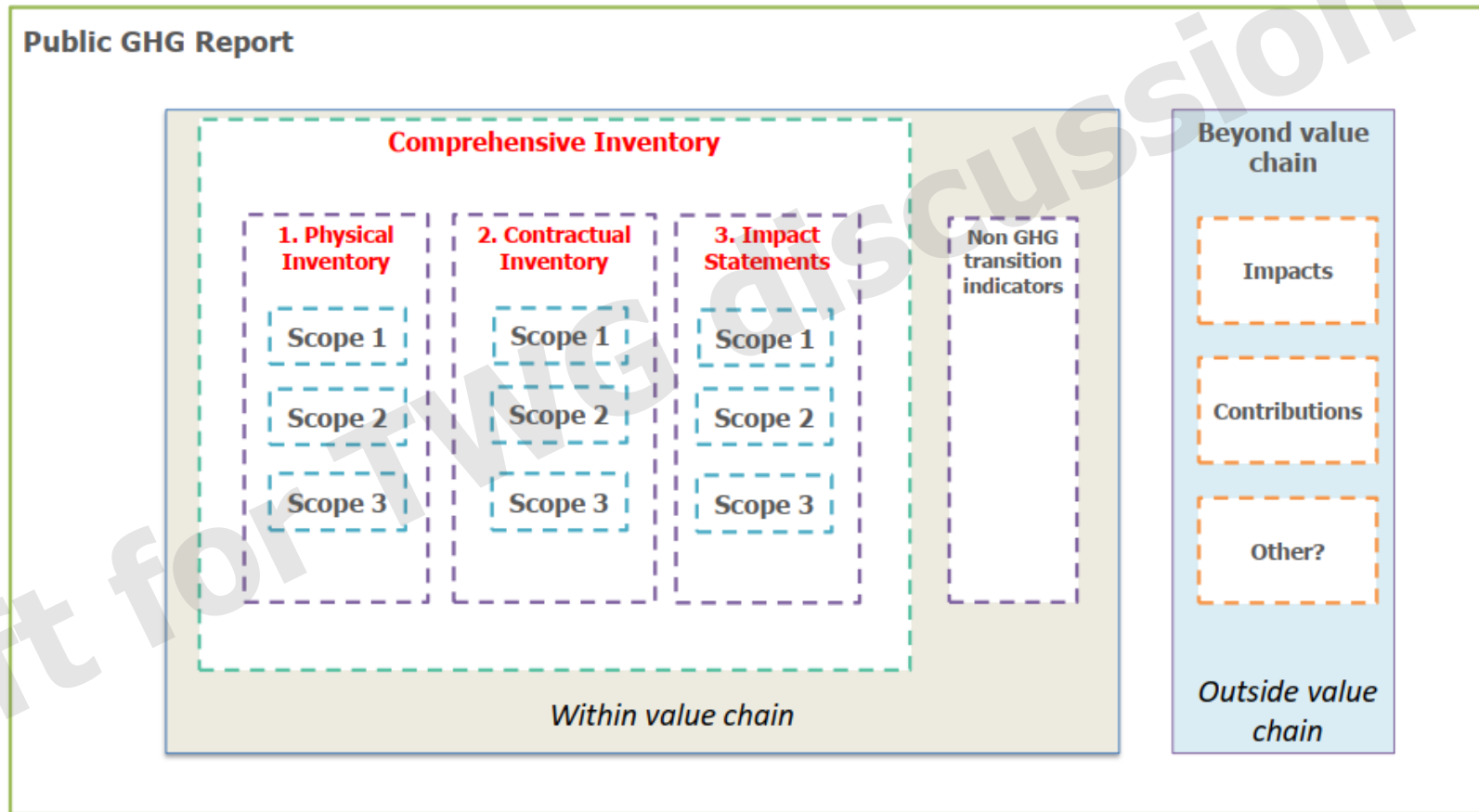
## **TWG framework proposals**

- 9 v1 proposals were originally submitted and reviewed last meeting
- Members discussed between meetings and consolidated similar ideas into one proposal leaving 4

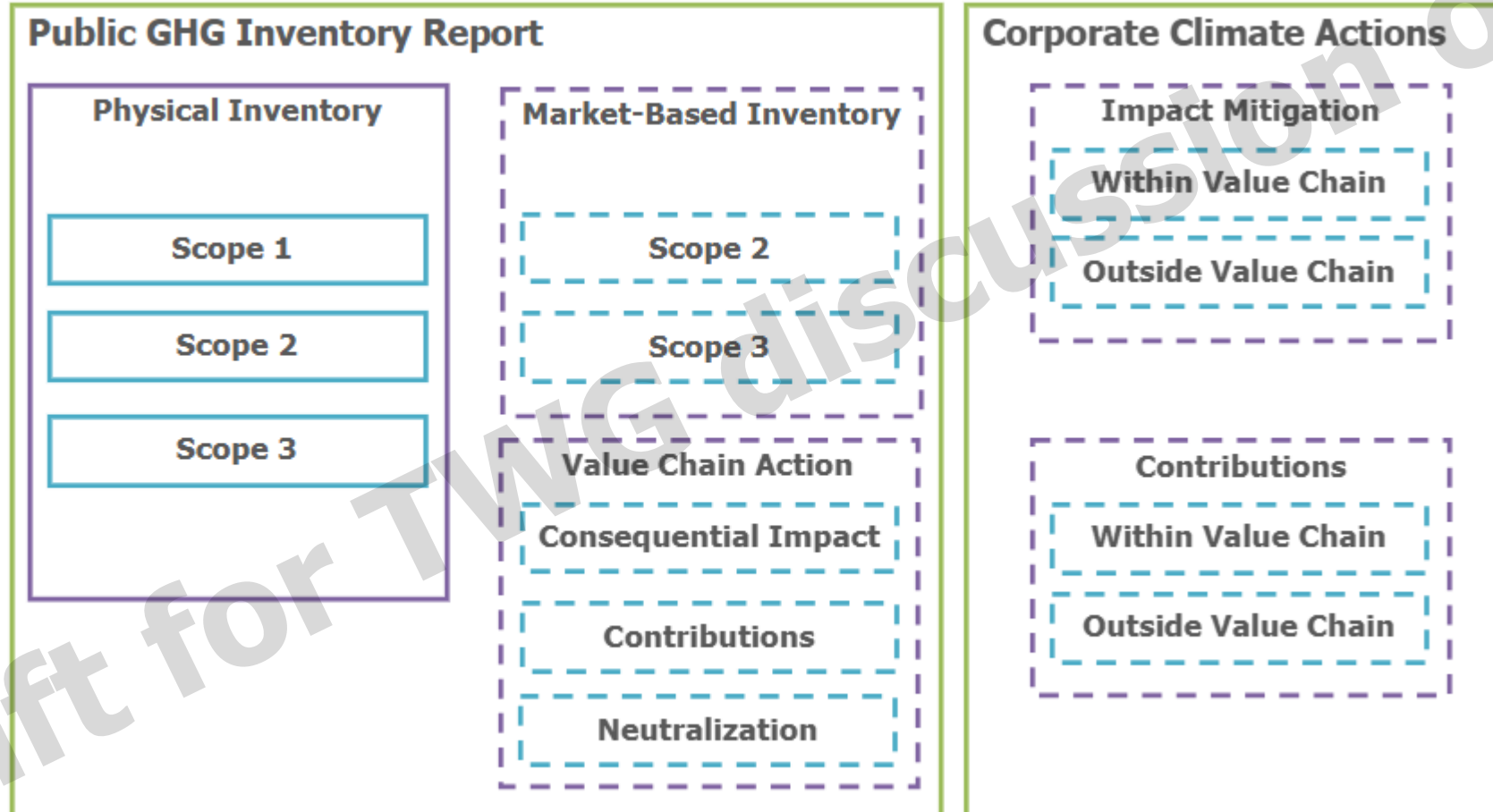
Draft for TWG discussion only

## Updated: Proposal #1-5 & 8

- Multiple TWG members discussed and aligned proposals to the following

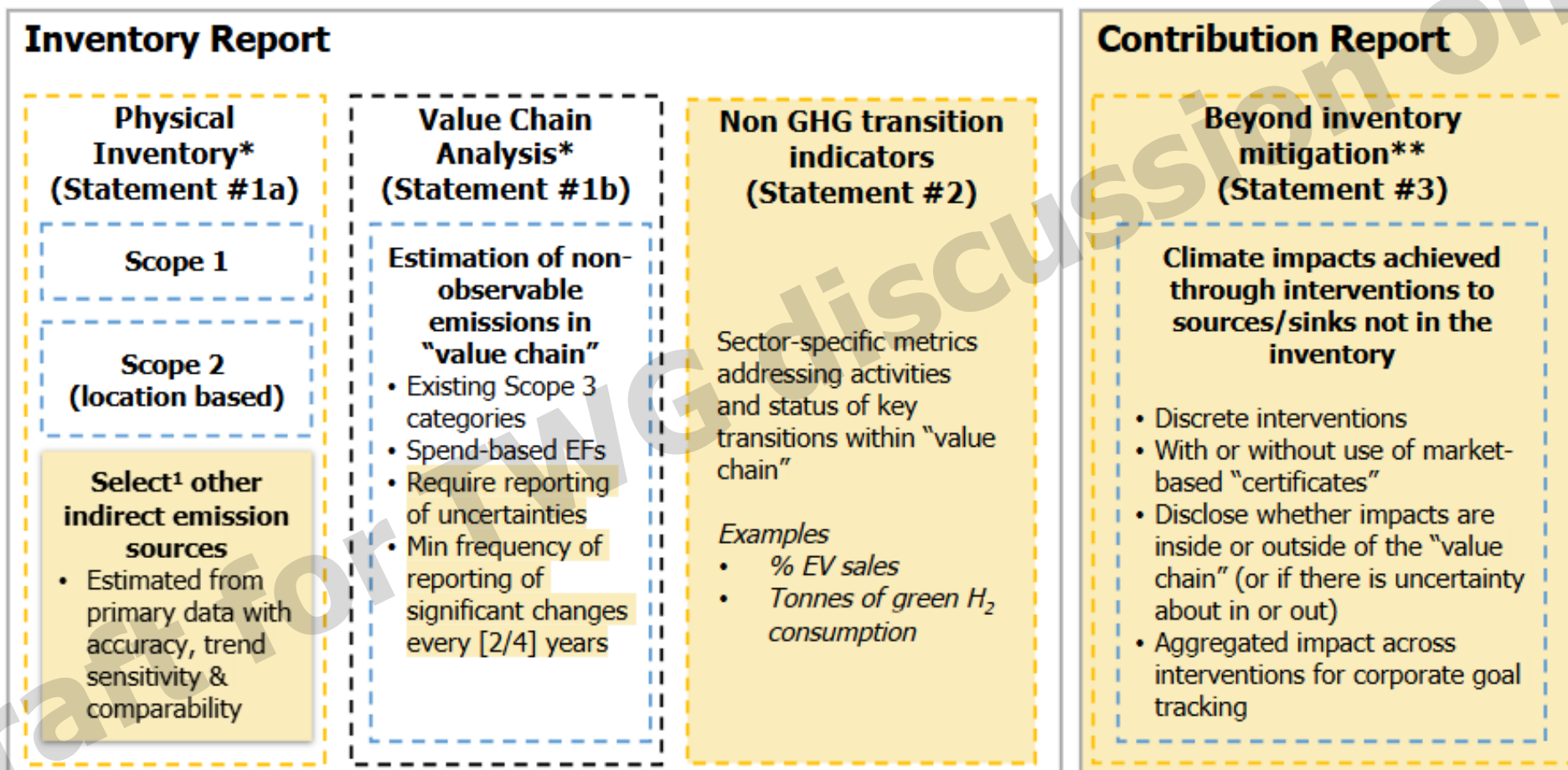


## Proposal #6





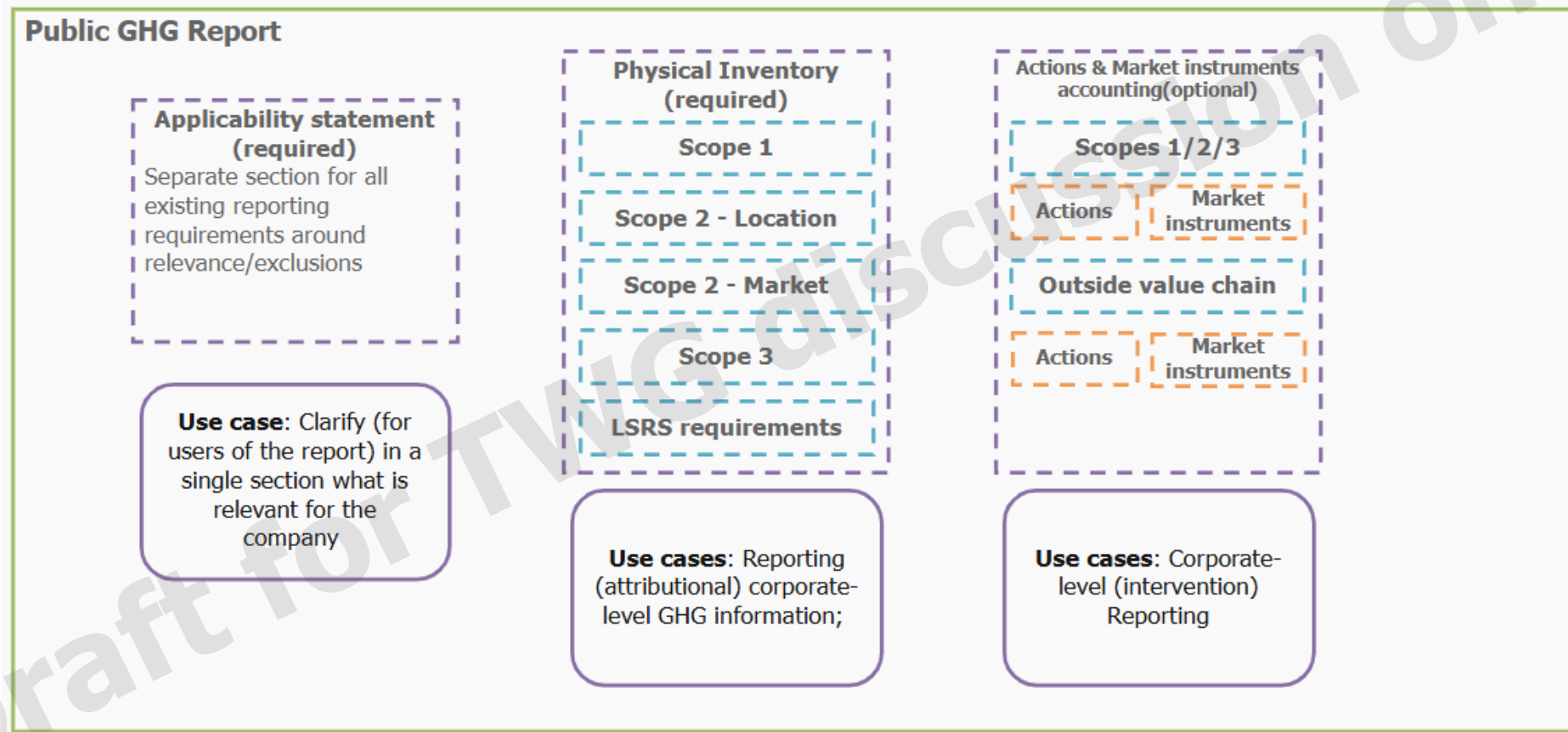
## Proposal #7



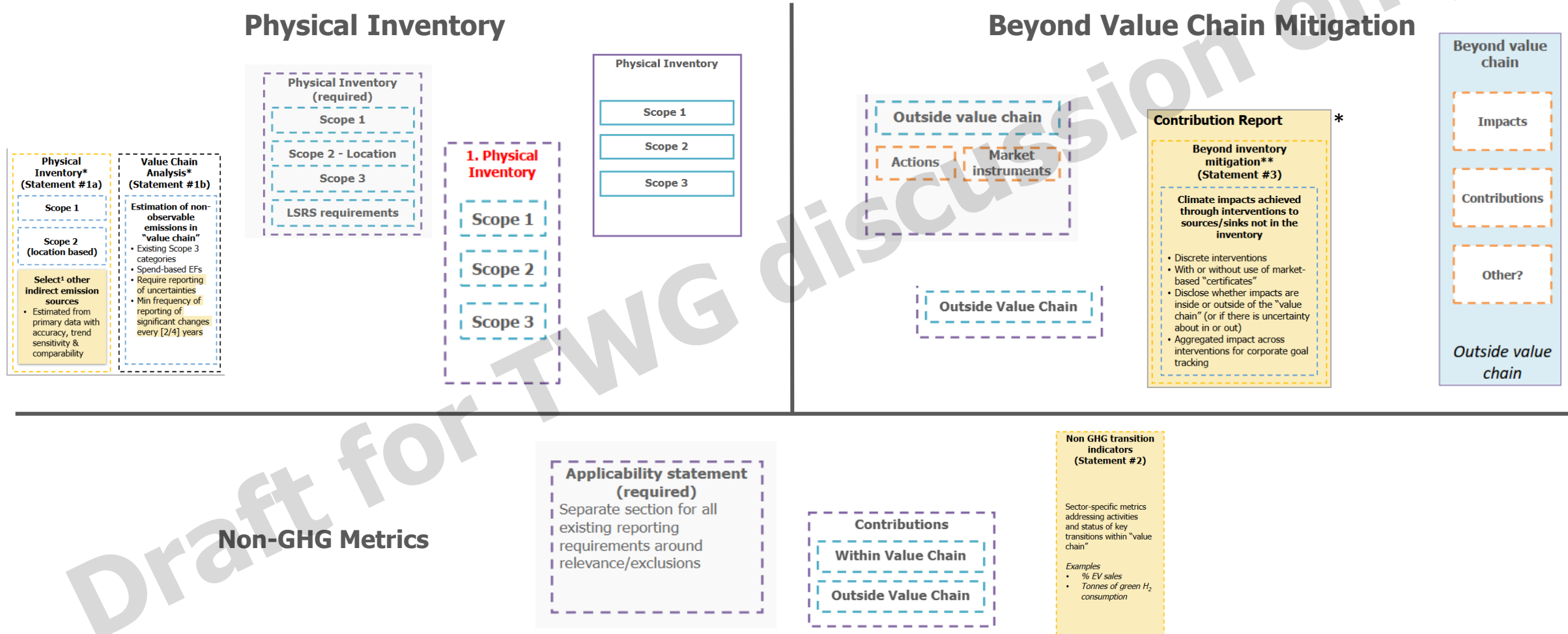
\* Emissions and removals reported separately \*\* Consequential methods applied. Avoided emissions and enhanced removals reported separately.

<sup>1</sup> Industry-specific specified sources and sinks quantified with primary data. See Figure 2 in <https://ghginstitute.org/2024/10/28/is-scope-3-fit-for-purpose-alternative-ghg-accounting-frameworks-for-inventories-and-intervention-impacts/>

## Proposal #9



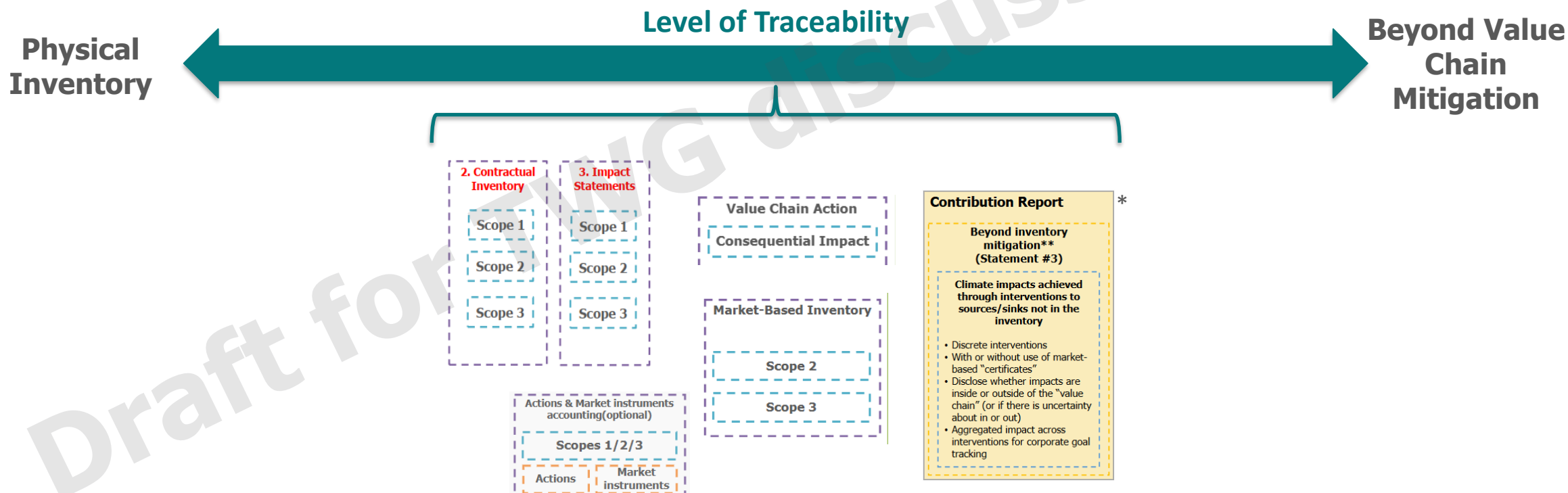
# Areas of alignment



\* Categorization for outside value chain portion of statement only

## Areas of divergence

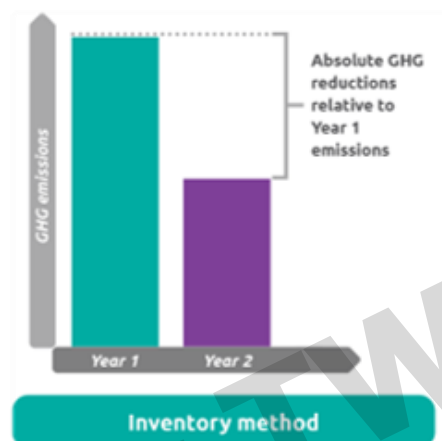
- We see broad alignment across proposals on the appropriate method to account and report GHG metrics on either end of the traceability scale
- Proposals have diverging recommendations for methods to account and report in the “middle”



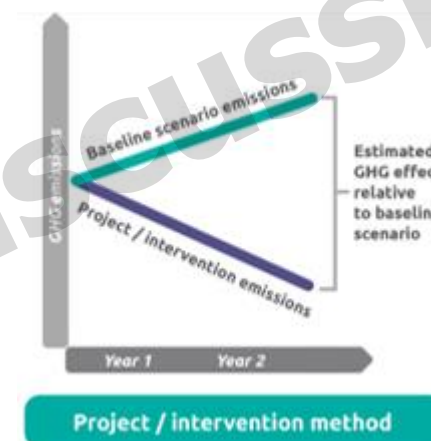
\* Categorization for inside value chain portion of statement only

## Reframing the discussion

- Focusing on this “middle” region and the associated metrics
  - The main difference between proposals is the recommended accounting and reporting approach(es)



and/or



- Rather than starting the discussion around accounting approaches and other very relevant technical details, we would first like to consider the goals for reporting these metrics

# Discussion questions



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## Discussion Questions

For reporting elements in the “middle” what does this enable you to communicate that other elements do not (i.e. what is the associated claim)?

Please answer without referencing accounting methods or approaches

## Discussion Questions

If the goal is to communicate a reduction, what is the reduction measured relative to?

- a) Year-over-year emission reductions
- b) In-year emission reductions relative to the physical inventory
- c) In-year emission reductions relative to another baseline
- d) Other



## Discussion Questions

What are the pros and cons of reporting these claims using different quantification methods or accounting approaches (e.g. inventory, consequential, market-based method, substitution method, etc.)?

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## Next Steps

### Asks for TWG Members

- **Please prioritize attendance of open discussion calls** over the next few months!
  - Submit requests to the [open discussion form](#) by **Friday, Apr 25<sup>th</sup>** to be considered for call on Apr 30<sup>th</sup>
  - Agenda for optional open discussion calls will be sent out the Monday prior (i.e. Apr 28<sup>th</sup>)

### Next Meeting Dates

- **Open Discussion Meeting**
  - Wednesday, April 30<sup>th</sup>
- **TWG meeting # 1.07**
  - Wednesday, May 21<sup>st</sup>

# Thank you!

## Contact information

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