

Consequential Subgroup Meeting 6







May 22nd, 2025





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.



Be mindful of sharing group discussion time; keep comments as succinct as possible.



Agenda

- 1. Housekeeping and goals
- 2. ISB feedback
- 3. Review and discuss issues 5-7
- 4. Next steps



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Goals of today's meeting

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Housekeeping and goals

Key discussion points for today

- $\circ~$ Share and discuss ISB feedback.
- $_{\odot}~$ Align on key discussion points across issues 5-7.
- Recap progress toward final deliverable and review next steps.





ISB Feedback



May 21st ISB meeting – Feedback on Proposal 1

The following slides summarize initial feedback from ISB members and is for informational purposes only. It does not represent a formal decision or consensus of the ISB.

The pulse check questions were used as an informal tool to gauge indicative support for key elements of the TWG's proposed direction. Results reflect the views of participating members at the time of the meeting and are subject to change as discussions progress.









May 21st ISB meeting – Feedback on Proposal 1

ISB members were asked to provide directional input on the Proposal 1 framework.

Do you support the TWG's direction toward developing additional metrics such as Proposal 1 to reflect electricsector emission impacts not captured in value chain inventories and to support use cases like strategic procurement or disclosure?

- A. Yes, the TWG is moving in the right direction—keep going.
- B. No, I have major concerns or objections with the current TWG approach.
- C. Abstain.

Topic / Question	Yes	No	Abstain
Support for continued development of Proposal 1.	4	3	2

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May 21st ISB meeting – Feedback on Proposal 1

General support for continued development of the framework

• ISB members indicated support for the development of consequential accounting tools for the electricity sector, and agreed that consequential assessments can be valuable.

Concerns about overestimating avoided emissions impacts

- Members voting "no" indicated concerns that the framework as proposed could allow for significant overestimation of impacts from generation projects.
- In particular, the additionality criteria was identified as an area that will require closer examination to ensure appropriate guardrails.

The role of Proposal 1 in the broader landscape

 Members stressed the importance of clarity of purpose and robustness of methodology. The proposed method needs to have a clear role in relation to other electricity-related reporting methods, and needs an equivalent level of rigor to ensure appropriate use.

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Issues 5-7



Issue 5: temporal and geographic granularity

- Two hierarchies were proposed for temporal and geographic granularity
- Temporal
 - \circ Sub-hourly
 - \circ Hourly
 - Load or production-profile weighted annual/monthly factors
 - o Monthly
 - \circ Annual

Geographic

- \circ Local/nodal
- \circ Zonal
- Grid region/balancing authority/bidding zone
- o Country/synchronous grid









Issue 5: discussion questions

- How does production-profile weighting work in practice? ٠
- Interactions with activity data granularity. Considerations around should/shall language for using load ٠ profiles to estimate hourly granular activity data?
- Can assessment boundaries (where marginal impacts are assessed) reasonably align with LBM/MBM grid ۲ deliverability definitions, which are grounded in physical interconnection?
- Important to clearly identify that the boundary used to evaluate what marginal unit is displaced, is distinct ۲ from the broader eligibility framework that allows investment in actions outside of an organization's deliverable grid region.







Issue 6: emission factors

- Historical marginal emission factors inclusive of both operating and build margin impacts.
- Default 0.5 build margin weight applied to all load and generation.
- Production profile build and operating margin emission factors can be created to enable use of monthly or annual activity data. Examples of profiles include:
 - \circ Flat

• Solar

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Wind

C&I load

Hourly Weighted Operating Technology Hourly Weighted Build Hourly Weighted Combined Type/Profile **Margin Emissions rate Marginal Emissions Rate Margin Emissions rate** Tonnes CO2/MWh Tonnes CO2/MWh Tonnes CO2/MWh Flat 0.171 0.392 0.281 Solar 0.047 0.318 0.183 Wind 0.175 0.405 0.290



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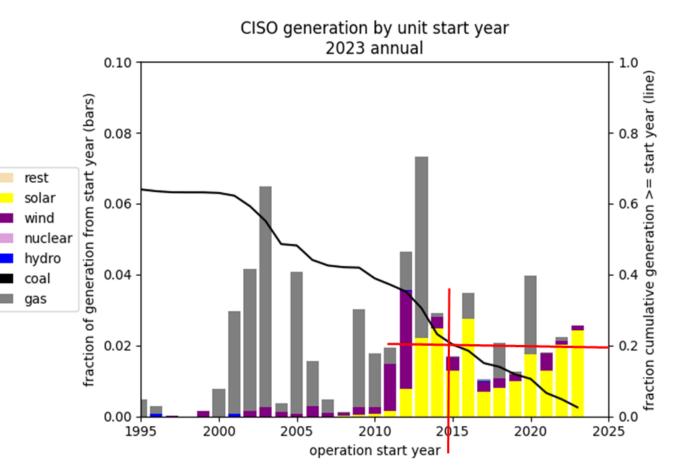
RESOURCES





Issue 6: build margin methodology

- Established approach ("Guidelines" and UNFCCC) is to take the average of the emission rates of the last 20% of capacity additions.
- Significant variability in build margin based on time of day and grid region.









Issue 6: emission factors

Build Margin Datasets

Dataset	Temporal Granularity	Geographic Granularity	Coverage
Climate TRACE	Hourly (98%), Annual (2%)	Countries globally, Balancing Authority in the US	Most of the globe (~99% of electricity consumption)
UNFCCC	Annual	Countries	Global

Operating Margin Datasets

Dataset	Temporal Granularity	Geographic Granularity	Coverage
<u>WattTime</u>	5-Minute	Countries globally, Balancing Authority and ISO subregions in the US	Most of the globe (~99% of electricity consumption)
<u>REsurety</u>	Hourly	Nodal	US ISOs
<u>UNFCCC</u>	Annual	Country	Global
eGRID	Annual	Balancing Authority/ISO	US
AVERT	Hourly	ISOs	US



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Issue 6: discussion questions

- Status of sub-sub group exploring the development of alternative build margin weighting?
- Difference between creating production-profile emission factors, or using load/generation profiles to estimate activity data? Are these the same thing? Is one approach more feasible?
- Ensuring consistent application of operating margin methodology across datasets. Do proposed datasets use a consistent method? Are some datasets more rigorous?



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Issue 7: feasibility

- Data hierarchies support feasibility.
- Use of production/consumption profiles allows for different granularity of activity data to be used.
- Possible exemptions for reporting marginal emissions impacts:
 - Load-based exemptions
 - Number of employees (1,000?)
 - Net turnover (\$50M?) or balance sheet (\$25M?)
- Exemptions to additionality requirement?
 - Grandfathered contracts before a certain date?
 - Existing contracts that meet additionality criteria should qualify.



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Issue 7: discussion questions

- Are emission factors broadly available to a level that supports global feasibility?
- Considerations to reduce overall reporting burden for companies reporting LBM, MBM, and marginal emissions impacts?
- Which exemptions/thresholds on company size (load-based, employees, revenue, something else?) are best to trigger a shall requirement to report?
- Grandfathering of non-additional projects. Given this is a new accounting framework, does it make sense to allow projects to qualify that would not have passed (or cannot prove) additionality tests when developed?
- Does the subgroup view the entire proposal as a "shall" requirement?





Next Steps



Final deliverable review/approval plan

- Draft document to be made available by authors no later than **June 6th**.
- Final discussion at **June 12th** subgroup meeting.
- Final deliverable to be made available for full scope 2 TWG by **June 18th**.
- Voting at full scope 2 TWG meeting on **June 25th**.
- Delivery of final deliverable to the ISB for consideration at the **July** meeting.
- Plan is to further revise document following ISB feedback, and bring to public consultation on the same timeline as the consolidated draft from the full scope 2 TWG.







Thank you!

If you'd like to stay updated on our work, please <u>subscribe</u> to GHG Protocol's email list to receive our monthly newsletter and other updates.

