

Consequential electric sector emissions impact measure subgroup

Meeting number 5

Date: 01 May 2025

Time: 10:00 – 12:00 ET

Location: "Virtual" via Zoom

Attendees

Technical Working Group Members

- | | |
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| 1. Avi Allison, Microsoft | 9. Mariné Iriart, Gobierno de Cordoba |
| 2. Priya Barua, Clean Energy Buyers Alliance | 10. Emma Konet, Tierra Climate |
| 3. Charles Cannon, RMI | 11. Stephen Lamm, Bloom Energy |
| 4. Yenhaw Chen, Taiwan Institute of Economic Research | 12. Alain Mahieu, ENGIE |
| 5. Abhilash Desu, Science Based Targets Initiative (SBTi) | 13. Gregory Miller, Singularity Energy |
| 6. Stuti Dubey, DRECs Initiative | 14. Yiwen Qiu, Independent |
| 7. Neil Fisher, The NorthBridge Group | 15. Henry Richardson, WattTime |
| 8. Hannah Hunt, Heineken | 16. Matthew Brander, University of Edinburgh |
| | 17. Linda Wamune |

Guests

None present

GHG Protocol Secretariat

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| 1. Kyla Aiuto | 3. Michael Macrae | 5. Kevin Kurkul |
| 2. Elliott Engemann | 4. Chelsea Gillis | |

Documents referenced

1. Consequential subgroup Part 1 Proposal submission, Proposal 1

Item	Topic and Summary	Outcomes
1	<i>Welcome and goals of meeting</i> The Secretariat welcomed members and discussed the meeting goals.	N/A
2	<i>Issue 1: calculation method and approach</i> The discussion centered around the proposed default weight of 0.5 for build margin (BM) and operating margin (OM) in project evaluations, with varying opinions on whether to standardize this weight across all projects or develop additional guidance. Key points included the importance of considering both operational and structural changes over time, the potential use of Long Run Marginal Emission Rates (LRMER), and the need for a balance between rigor and implementability.	TWG member volunteered to take the next step on developing a more detailed suggestion of how weighting should be selected.
3	<i>Issue 2: boundaries</i> The discussion focused on whether the proposal was intended use forward-looking versus backward-looking data for the analysis. It was suggested that a clear distinction needs to be made between forward looking calculation for decision making and backward-looking calculation for accounting.	N/A
4	<i>Issue 3: treatment of additionality</i> The discussion focused on the treatment of additionality for generation and energy storage projects, exploring how proposed definitions align with the UNFCCC framework and the variations in contract lengths within the current market.	Additional detail needed on how additionality is being defined/treated in this context versus in the Paris Agreement. Development of additional detail on the Financial Test needed.
5	<i>Issue 4: purposes and uses of the data</i> Discussion centered on the importance of distinguishing the "causal" relationship in emissions factors in this method and highlighted that the metric is designed to standardize targets that encourage meaningful changes in consumption and behavior. It was also suggested that clarity of the short versus long-term desired impact for incentivization should be clear in the stated purposes.	Use of the words 'incentivizing' rather than 'identifying' were proposed to be changed within the purpose of the method.
6	<i>Next steps</i> The Secretariat summarized next steps of moving summarized information from in slides to within a Word document and shared the plan to present this proposal to the AMI TWG and ISB in June.	N/A

Summary of discussion and outcomes

1. Welcome and goals of meeting

Summary of discussion

- Secretariat noted the goals of the meeting to review the Issues 1-4 on Proposal 1, including discussion on build and operating margin weights, details of additionality tests, and key points on the purposes and uses of the data.
- Secretariat noted the discussion would include an overview of next steps including moving slide content into more detailed text.

Outcomes (e.g. recommendations, options)

N/A

2. Issue 1: calculation method and approach

Summary of discussion

- The discussion started with a recap on the method proposed, 'induced – avoided emissions.'
- The Secretariat provided context on why the default rates for build margin (BM) and operating margin (OM) are an important consideration, describing that different types of generation projects have different effects on the structural and operating aspects of the grid, including the UNFCCC CDM guidance on BM/OM weights as additional context. The proposed default weight of 0.5 was noted as an area of focus for discussion.
- Secretariat shared an example of a renewable energy generation project and the evaluation of its build margin weight and offered that it was potentially unnecessary to do unique calculations on BM/OM weighting for *all* projects, but perhaps for certain types of projects that can be applied consistently.
- Secretariat posed the first question: Should Proposal 1 adopt a standard build margin weight (0.5) for all load and generation projects, or should additional guidance be developed to reflect differentiated impacts of projects?
- Use of Long Run Marginal Emission Rate (LRMER) vs. Build Margin Emission Factor (EF) was discussed. A TWG member noted that LRMER takes into account both operational changes and structural changes as they happen over time. Pure build margin EF is based on the EF of the next unit of capacity built or retired. LRMER are the data that has been out there, but not the same as the build margin. Pure build margin data is hard to come by.
- One TWG member said instead of weights, LRMERs could be used exclusively instead. LRMER already takes into consideration both operational and build margin. It was suggested that transitioning from an operational MEF to a more structural MEF over time could also be a useful approach.
- Secretariat posed to the group whether hourly LRMERs are available, and a TWG member offered that, in the U.S., NREL does provide them, but it is unclear whether they exist in other places of the world. Other TWG members provided other examples of where to find the data, such as UNFCCC and Climate TRACE. A TWG member also suggested that average EFs could be used in place of LRMER.
- Proposal authors suggested there was an opportunity to standardize the weighting of Build Margin to Operating Margin to prevent gaming the system with different weighting selections.
- A TWG member suggested it was important to question whether the utility or planner takes into consideration this generation as part of its planning process, rather than being technology specific that uses more nuance in choosing the weights.
- Build margin data margin was suggested to be more easy to calculate, with the possibility of publishing sensitivities around the accuracy of the data.
- A TWG member noted that energy storage requires locational granularity, and build margin doesn't take this into consideration. If exclusively using build margin, information is lost about what generation is ramping up or down. So operating margin is important to keep into consideration for energy storage. Only relying on build is problematic and only relying on operating is problematic. The 50% was suggested to be a good heuristic to keep to into consideration both build and operating, because it is not appropriate to rely on one or the other.
- Secretariat emphasized an option needs to balance both rigor and implement-ability. If 0.5 as the weighting makes it implementable, that number also needs to be rigorously supported.

- A TWG member suggested that the weighting also depends on the purpose that is looking to be accomplished, and posed a question of whether the proposal is aiming to incentivize a specific type of action, or rather trying to measure an action. If incentivizing an action, is it an action to affect operating margin or affect long run build?
- The Secretariat ran a brief poll given the differences of opinion on weighting:
 - Standard build margin weight (0.5) for all load and generation projects (8 votes)
 - Differentiated weights (to be developed) (7 votes)

Outcomes (e.g. recommendations, options)

- One TWG member volunteered to take the next step on developing a more detailed suggestion of how weighting should be selected.

3. Issue 2: boundaries

Summary of discussion

- Secretariat reviewed the boundaries proposed within Proposal 1.
- There were questions around whether the proposal was intended to use forward-looking or backward-looking data for the analysis. One TWG member provided context that they forecast future emission factors and then settle once they have backward-looking data. Proposal author provided clarification that ad hoc analysis could be forward-looking or backward-looking. It is more comprehensive and not constrained by time.
- It was suggested that a clear distinction needs to be made between forward-looking calculation for *decision making* and backward-looking calculation for *accounting*.

Outcomes (e.g. recommendations, options)

- N/A

4. Issue 3: treatment of additionality

Summary of discussion

- The Secretariat provided an overview of the examples on how treatment of additionality was proposed.
- TWG member provided a summary of treatment of additionality in the context of energy storage.
- Secretariat posed discussion questions the discussion questions to the group.
- TWG member raised UNFCCC additionality definition whereby projects need to be over and above country level targets and asked how these proposed definitions of additionality interacted with that.
 - There was mixed interpretation of 'regulatory test' within the additionality decision-tree and whether projects that are being counted to meet country-level goals would meet regulatory test or not, given that national level goals are in part driven by company actions to meet that goal.
 - TWG member noted there are important differences between application of additionality on the context of company level accounting, versus country level accounting.
 - There was discussion on the varied interpretation of Paris Agreement Article 6.4 and Article 6.2, including whether or not they interact with each other or with this proposed interpretation of additionality.
 - There was agreement that a resolution from the discussion was to focus on being clear on how this approach will be distinct from Paris Agreement language, including explaining the ways and reasons the proposal intentionally diverges from that language.
- On the positive list proposed contract length, there was discussion on whether 10 years is the right number for an appropriate contract length.
 - One TWG member provided context that many PPAs being signed today are for less than 10 years. Developers tend to be pushing down the contract lengths (not the offtakers).
 - One TWG member noted that the energy storage market is still young, and offtake is still very nascent. In this market, 5-7 year contracts seem to be the norm. Above 10 year offtake agreements would be very unusual.

- It was suggested that contract length should be thought of as a fallback test on the additionality decision-tree, so it needs to be set high enough, but not too high that its impossible. Using 10 years may miss the current state of the market.
- It was proposed that the Financial Test being detailed out more might be worthwhile rather than focusing on whether the positive list test is 10 years, 8 years, 5 years, etc.
- A TWG member posed how current projects should be treated.
 - A TWG member suggested that a legacy clause, as has been proposed in the market-based method revisions.
 - It was also noted that its important to ensure there is the prevention of gaming (signing low-impact, 20-year PPAs the year before the new standard goes into effect, for example).

Outcomes (e.g. recommendations, options)

- It was proposed that text is needed in the proposal on an explanation of how additionality is being defined/treated in this context versus in the Paris Agreement.
- Development of additional detail on the Financial Test was a proposed area of focus.

5. Issue 4: purposes and uses of the data

Summary of discussion

- The Secretariat shared the proposed purposes and uses, which have not changed since the earlier version of the proposal.
- On the purpose/use, 'Identifying and prioritizing consumption and procurement decisions that reduce electric sector emissions,' a TWG member had the comment whether we want to identify whether we are trying to affect short or long run and be clear in this description because that may impact the methodological design.
- Given that this proposal is not a full ad hoc proposal, it is more of a performance metric that looks at all load and generation, Secretariat questioned whether it makes sense to use language of 'caused' for a consequential-style metric.
 - It was said by a TWG member that all EFs used in the GHGP are ex-post; we use them after the emissions were generated.
 - It was noted that the use of the 'caused' relationship is important to differentiate it from other methods.
- A TWG member reiterated that a marginal emissions impact report allows companies to set targets that will inherently incentive them to take action. The metric is meant to provide a standardized target that as closely as is possible reflects real world change in consumption and behavior.

Outcomes (e.g. recommendations, options)

- Use of the words 'incentivizing' rather than 'identifying' were proposed to be changed within the purpose of the method.

6. Next steps

Summary of discussion

- The Secretariat summarized next steps of moving summarized information from in slides to within a Word document.
- The Secretariat shared the plan to present this proposal to the AMI TWG and ISB in June.
- The Secretariat requested the continued use of slides for next issues presented in subgroup.
- There was a question on the format which the Word version of the proposal should be provided, to which the Secretariat suggested organizing sections by Issue Areas as structure of the document.
- It was reiterated by a TWG member that full group engagement on developing the proposal was desired, rather than just the most outspoken members of the group, to which several TWG members raised their hands for interest.

Outcomes (e.g. recommendations, options)

- N/A

Summary of written submissions received prior to meeting

N/A