

Notes from October Scope 2 TWG webinar

October 8, 9, 10 2013

Where relevant, GHG Protocol responses to comments/questions raised during the webinars are provided in *turquoise italics*.

Overall feedback

- ✓ This is a workable solution and reasonable compromise
- ✓ Congratulations to the group for achieving this proposal. It advances our overall goal, keeps us grounded in the humble truth of working together to achieve system-wide GHG reductions. It allows entities to demonstrate their actions while showing progress towards the system-goal (Ivan Lee, Apple)
- ✓ Great work on keeping this going. Good document, comprehensive – thanks for taking this on (Brian Kozlowski, Domtar)
- ✓ Bergen Energi congratulates you on a very good proposal. This is a significant improvement to the scope 2 reporting recommendations and we believe that this will work in practice. The overall response from us is that we support this proposal (Hans Petter Kildal, Bergen Energi)
- ✓ This proposal represents a useful step forward. We support both options, particularly reporting market as primary (Todd Jones, Center for Resource Solutions)

Reporting Burden

- ✓ I can see the need for this reporting protocol for RECs and related instruments. As a company that doesn't rely much on RECs, but has many hundreds of sites that purchase electricity around the world, I am completely stunned by the complexity of the market-based reporting that we'll be required to undertake. I can't yet get my hands around the reporting infrastructure changes - including manpower - that will be necessary to meet these requirements. Ultimately I don't see the purpose of these requirements in situations like ours. I'll submit some comments, but this is the overview (Robert Reich, Dupont)
The GHG Protocol recognizes the challenges with obtaining market-specific data from electricity suppliers and contracts associated with all electricity consumption. As with other GHG inventory reporting elements, if data is not available companies can justify and disclose why they chose alternatives (here, location-based method data such as grid averages). We expect that as this Guidance gets used, data will become more available and improve in quality.
- ✓ Right now the proposal requires that if market-based method requires reporting when a facility is located in that market (if Quality Criteria is met). Was there consideration of an additional materiality threshold (similar to inventory recalculation) of which if not exceeded market based reporting is NOT required? (Brian Schoening, Northrop Grumman)
No thresholds are currently used; the market-based method is designed to apply across any jurisdiction where a condition in Box 1 is present, and where data meet the Quality Criteria.

Reporting structure

Box 1

- ✓ In Box 1, describing market-based systems, you have three examples or criteria (?). Must all 3 situations be met, or just any one of the three? You say "and/or" after #2, but this seems imprecise about your intent. I think I'd prefer "or" (Ed Holt, Ed Holt & Associates)

Agreed that "or" is clearer and that any one of these conditions would be an indication that the market-based approach applies.

Overall structure

- ✓ Why not state such "reduction" achieved through RE credits or procuring a better market-mix at the end of the inventory, after the total GHG sum? (Lorene Schibler, KlimActiv)
This has also been termed a "gross/net" reporting structure by some programs. But we do not use it here because we see the market-based method as applying to all types of contractual instruments, not just "green power" that is low or zero-emissions producing a lower scope 2 figure than location-based data (resulting in a "reduction").
- ✓ Still curious about the side-by-side vs. separate disclosure. What's the argument in favor of side-by-side? Who's not going to be using the market-based method? (Alex Pennock, Center for Resource Solutions)
If companies have facilities in market-claims jurisdictions, then they are required to report both a market-inclusive figure and a location-only figure. The two reporting formats give flexibility for how these required figures are actually presented.

Flexibility provided in reporting format is useful

- ✓ The rationale document clearly states that both locational and market information is required for accurate disclosure and perhaps some of this language can be brought into the proposal to resolve the concern about "hiding" the grid average (Paul Bennett, EDF)
- ✓ The two reporting options are better than just the side-by-side. As you point out, it maintains the flexibility across the various markets. (Ian McGowan, 3Degrees)
- ✓ Support the option to report market-based as primary with location-based as supplemental. Location-based method data is useful for comparison, but not necessarily more accurate (as argued by those favoring only side-by-side). Location-based data is not necessarily more comparable either – the priority should be to reflect different markets, and that's appropriate for individual footprint reporting (Todd Jones, Center for Resource Solutions)
- ✓ The option in reporting formats gives an opportunity for companies to showcase their efforts and having that be the market-inclusive method. It's logical and helps to encourage companies to execute all their options (Peggy Kellen, The Climate Registry)

Location-based figure should be more prominent

- ✓ I think that location-based should be a minimum requirement for allowing comparisons worldwide (Lorene Schibler, KlimActiv)
A location-only figure is indeed required for all scope 2 reporting. In addition, a market-inclusive figure is required for companies with any facilities in applicable markets.
- ✓ I do have a big concern that contractual approach is being presented or seen as more accurate than locational. I would disagree with that rationale and think we will be proposing that the two approaches are explained in a way that does not allow green wash (i.e. the accuracy / relevance of grid average does need to come across). Grid average should not just be seen as a baseline comparison. It is the most accurate factor in most situations (Nick Blyth, IEMA)
- ✓ Why give the option to report location based as supplemental information? If both figures are valid they should be reported side by side rather than giving the impression that location based is less important or "inferior"? I disagree that "a market-inclusive figure may be more appropriate for demonstrating company actions": a company can reduce to zero its footprint

with no impact on the emissions just through buying certificates, with no effort at all on its own facilities to reduce consumption for example ; improving its location based figure does require efforts on its own facilities, and is therefore much more virtuous! (Thibaut Brac-de-la-Pierre, EDF)

- ✓ If side-by-side comparison is done, it highlights the work that entities are doing. For this reason, the side-by-side should be only option available. It maximizes transparency and highlights the work of the entity. At a minimum, national grid avg always available (Ivan Lee, Apple)

Market method should be more prominent

- ✓ There remains a risk of suppliers/retailers cherry picking between the market-based and location based instruments--for example, in using a market-based approach to allocate lower emissions whilst carbon pass through costs are allocated from the location based approach. This can be a problem in jurisdictions where carbon pricing applies (Tim Kelly, Conservation Council of South Australia)

Policies that affect electricity consumers based on their consumption may or may not currently align with market instruments that convey energy origin/emission rate claims. But by showing both the market-inclusive figure and the location-only figure, individual corporate inventories should reveal a full range of risks/opportunities associated with electricity purchasing and consumption.

Implementing these methods

- ✓ What about a company having more than one contractual arrangement within the same grid? A company might purchase GOs, but also have a PPA with an energy from waste or incinerator facility, and also purchase nuclear power under a low-carbon tariff (Andrea Smith)
- ✓ In the sentence: "All facilities in contractual claims market should aim to use data listed in market based method": "Should" might be considered changed to "Shall" in order to avoid double counting (Hans Petter Kildal, Bergen Energi)
- ✓ What do you mean for "facilities that are facilities that are mandated to use location based data"? Who mandates that? (Joshua Skov)
Some jurisdictions require corporations to report on direct and indirect GHG emissions, and these policies might (for their own programmatic goals) require the use of the location-based method data. In that case, there may be a good argument for side-by-side reporting, as shown in the proposal.

Quality Criteria

- ✓ How should we feel if instruments do not meet quality criteria? (Joshua Skov)
- ✓ Like the idea of the checklist of Quality Criteria where there aren't market instruments (Karen Utt, TVA)

Classifying instruments

- ✓ Would like to clarify where 'green' tariffs fit: e.g. if Climate Change Levy (CCL)- exempt power is bought in the UK, is that classed as a contract & therefore subject to the criteria & market inclusive scope 2? (Ruth Galligan, Utiylix)
- ✓ Issue with bundled electricity purchases – for electricity purchases that aren't tracked by RECs, but can still be transparent and demonstrate energy was renewable, are they required to have some kind of marketable instrument? (Karen Utt, TVA)

Conveying emission rate attribute

- ✓ Regarding the criterion, "The contractual instrument must convey with it the direct GHG emission rate attribute claims associated with the quantity of electricity produced": we strongly agree, but how to ensure it is done in a rigorous way? (Thibaut Brac-de-la-Pierre, EDF)
Would be helpful to get TWG feedback here on how companies, or their inventory verifiers, can demonstrate that Quality Criteria have been met.
- ✓ It is not clear that under a market-based approach that the attribute of 'renewable energy use' (or other generation source use) is also linked to the market based emissions value (Tim Kelly, Conservation Council of South Australia)

Vintage of Generation

- ✓ One of the quality criteria indicated that the instrument must be applied to the inventory year in which the instrument was created. In the U.S., the Green-e Energy certification program for RECs includes a broader reporting year window that allows RECs that were generated from the last 6 months of the previous year, the current calendar year, and the first quarter of the next year to count towards consumption in the current calendar year. Can you talk about how these two windows might better align? Could reporters in the U.S. align with the Green-e window if they use Green-e certified RECs as their electricity instrument? (Jennifer Clymer, Green Mountain Energy)

Market boundary

- ✓ How is the market defined here, for Europe or US as examples?
- ✓ Market region is a little unclear to me. The US is 50 or more regions from a regulation viewpoint, much fewer from an interconnection viewpoint, from a policy viewpoint for the Federal government the whole use might be the region. Could be interpreted a number of ways (Kevin DeGroat, Antares Group)

Residual Mix

- ✓ On the subject of residual mix a footnote would probably not be sufficiently prominent for stakeholders. We would like to see a prominent disclosure to ensure stakeholders are not misled and pressure is maintained on those who are responsible for producing residual mixes (Paul Bennett, EDF)
- ✓ If the requirement to calculate a residual mix value is not a mandatory requirement, jurisdictions may easily dismiss this as not being a material change and it won't get done. Even if this change is minor, it is essential for the integrity for Green Power programs under a market based approach (Tim Kelly, Conservation Council of South Australia)
- ✓ Who would be responsible for determining the threshold for when voluntary retirements would be backed out of the average grid? (Jenny Heeter, NREL)
- ✓ If a company purchases some electricity backed by REGO in the UK, it would then use the residual mix for the remainder of its electricity purchases. However, it may also have a contract for nuclear or CHP electricity purchases and these are not backed by certificates. However, the attributes of these generation sources have been removed from the residual mix. Are you envisioning that a company could apply a generation specific emission factor to electricity covered by those contracts? (Andrea Smith)

- ✓ If a corporate in the UK wants to use contracts to say they have achieved absolute reductions in their carbon footprint, to be 'real' reductions (can these be said to be 'absolute'?) the instruments would need to meet the criteria, correct?
- ✓ The Climate Registry's approach to residual mix is that if, within our set of reporters, the energy (RECs) claimed within the system exceed 5%, then we'll calculate our own residual mix for use by our reporters. It's a piecemeal solution but it's one way to address this when double counting becomes significant (Peggy Kellen, The Climate Registry)

Instrument Feature Disclosure

- ✓ The first three items on the disclosure list should be required—and I would clarify that technology type is technology/fuel type. It is important to know if a project is using biomass, where it is located and when it was built because those are important to credibility. The last four items should be required only if they negatively impact the credibility of the GHG reduction claim -- if they do not there is no critical need to disclose (Kevin DeGroat, Antares Group)

Regulatory Surplus

- ✓ Rereading the "Regulatory Surplus" section of the contract features, I am not sure what the part in parentheses means. Can you discuss? Thanks! (Geri Kantor)

Project Financing

- ✓ It is essential to require the disclosure of public support for claimed RE project, as this is critical factor determining whether market based approach has a connection with generation. The thought experiment to use as a test is if the market based structure is removed, does the aggregate generation mix on the grid change? This is a larger causal connection that's not project-based additionality, but rather the impact of the entire voluntary market. My research indicates that voluntary RECs in the US have not historically influenced the decisions of renewable energy developers. We need to be conscientious of this larger question about what makes for an accounting system with voluntary claims that has integrity, and what the purpose of this system really is (Michael Gillenwater, GHG Management Institute)
- ✓ The emphasis here should be about individual footprint accounting, not necessarily whether projects or systems are additional (Todd Jones, Center for Resource Solutions)
- ✓ Some additional guidance on what types of subsidies are useful to report. The feed-in tariff is clear, but are we at all concerned with investment tax credits, production credits? Seems we are only interested in ones that might compromise the ownership of the GHG claim (Kevin DeGroat, Antares Group)

Facility Vintage

- ✓ Why are you interested in the facility vintage instead of the generation year vintage?
The difference here is that we would require companies to use/claim instruments approximately during the same year as the generation year vintage. That's in the Quality Criteria. However, many stakeholders also want to know what year the project itself was installed, as a means to evaluate whether the company is purchasing from relatively "new" or "old" facilities (this is often an eligibility criterion for labeling or certification schemes). We make no requirements about the facility's year of installation, but would recommend that companies disclose it as part of Instrument Feature disclosure.

Offset credit disclosure

- ✓ To be clear – is it safe to assume that a REC and offset would never be generated from the same MWh? Why is this a disclosure feature? (Geri Kantor, Harvard)

In the US, Europe and Australia, this is a non-issue based on REC definitions and other policies applying to the electricity sector. However, in many emerging economies without well-established tracking systems and certification, renewable energy projects can be built through financing from the sales of offset credits. Once a credit is sold onto the global market through programs like CDM, the energy project still produces power that is sold and distributed to suppliers and end-users on the local grid. Therefore, the question becomes whether the contractual instruments such as contracts or supplier-specific factors linked to that project can still convey the GHG emission rate (zero emissions) associated with that power. Factually, this emission rate is correct and does not directly conflict with the claim associated with the offset (e.g. a quantity of avoided emissions on the rest of the grid vs. the emission rate of the power generation). The Guidance currently allows contracts or supplier-specific emission rates to be used under a market-inclusive method, even when offsets are generated from those projects and sold separately – but we recommend in this proposal that companies disclose this fact. However, further case studies will be explored for this scenario.

Outline

- ✓ The generation case studies need to include both how to deal with renewable generation as well as for CHP plants where surplus electricity is sold to the grid especially when the carbon intensity of this is lower than the average grid mix.
(Richard Sturman, AstraZeneca)
- ✓ Need examples of where company sells RECs, adjusting GHG inventory both from purchaser and seller (Brian Kozlowski, Domtar)

Appendices on Utility Emission Factor or Residual Mix calculation

- ✓ Appendix C and D discussion important, to improve understanding of how green power programs work relative to utility EF. When there's a green power program, the attribute goes to customer – those RECs involved in a green power program wouldn't be used for utility. Would be important to offer guidance for that (Karen Utt, TVA)
- ✓ With respect to residual mix comments, it might be useful to include some direction or suggestions on how to actually do that in an appendix- whether through an individual approach, or regionally by certificate tracking systems (they'll need some support or push to pursue that). EPA's eGRID program may be able to do work in this area, but require access to confidential data. We could outline general methodology so we understand what needs to be done. There's hope for solving the problem that way (Ed Holt, Ed Holt & Associates)
- ✓ Residual mix generation might be a large and complex area to cover completely. To develop some quality criteria for residual mixes might be a better way to approach this issue (Hans Petter Kildal, Bergen Energi)

Other Recommendations

- ✓ I strongly suggest that WRI support the creation of technology-specific default emission rates. These will be helpful when a purchaser may have a contract, but not all the emissions data for the facility. This is most relevant for emitting sources, such as biomass, LFG, coal, natural gas, etc. (Ian McGowan, 3Degrees)
The GHG Protocol's Excel calculation tools currently have IPCC default emission factors by fuel, and we could emphasize this in the Guidance and/or on the website for scope 2 uses as well.