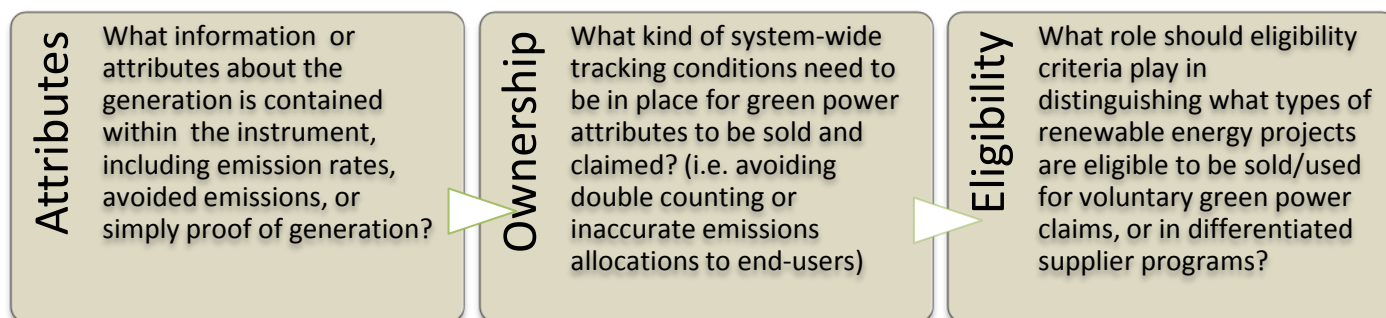


Document Overview

This document serves as a summary of the development process for the GHG Protocol Green Power Accounting Guidelines to date, including a synthesis of the two scoping workshops in DC and London. It offers a draft outline of the Guidelines based on stakeholder feedback on the workshop discussion drafts, and proposes a Technical Working Group (TWG) format structured in three phases to develop sections of the draft. In the first phase, TWGs would examine three issues/principles –attributes, ownership and eligibility—that are foundational to credible accounting (described below):



The second phase would consist of TWG members re-organizing into working groups examining various real-world scenarios. These groups would ultimately help generate short and long-term recommendations on reporting green power purchases, how to establish programmatic policies and the system design elements that need to be in place. An initial set of questions related to these TWG issues/principles is offered here, along with a revised timeline for the publication development. Feedback on this proposal and the TWGs is invited – questions for consideration are posed at the end of this document.

Synthesis of the Scoping Workshops in Washington DC and London, UK

WRI held two scoping workshops whose objectives included: introducing green power accounting concepts and concerns to audience of experts and specialized practitioners, based on distributed discussion drafts; facilitating dialogue on issues and options related to identified concerns; distinguishing accounting variations and drivers present between US and EU markets and regulatory contexts; and identifying issue areas requiring greater clarification or consensus. The agendas from the two workshops largely followed the same structure, with the session on scenarios in the US being replaced by a green tariff session in London (parts of the scenario discussion were included in other London sessions).

DC workshop	LONDON workshop
Overview of discussion draft or concept note	
Session I: Accounting for RE as emission rates or emission factors	
Session II Accounting for RE as Avoided Emissions	
Session III: Accounting for RE under Special Circumstances (On-site, Capped Power Sector, and RE offsets)	Session III: Accounting for Green Tariffs
	Additional Context: UK Development in RE-relevant policies.

In general, both workshops' stakeholders identified the emissions rate approach as being sensible, consistent with many current green reporting recommendations, and facilitated by most current certificate mechanisms. The question of unique ownership and preventing double counting fit into a larger EU conversation about harmonizing disclosure and tracking practices as part of fulfilling EU directives supporting a single market for electricity. Many EU participants suggested that rather than attempting to adjust national grid average emission factors to reflect green power purchases, supplier-based emission factors and electricity labels should be emphasized given the complementary disclosure drivers and the greater applicability to green pricing programs and greater precision and accuracy for corporate scope 2 purposes. State-based supplier disclosure was discussed briefly in the US workshop, as well as the potential role of regional renewable energy (and in some cases, all-energy) tracking systems in facilitating more precise supplier disclosure.

A challenge associated with the emissions rate approach included whether, and how, to designate eligibility of different renewable energy installations to sell their emission rates for voluntary corporate claims. US stakeholders expressed concern that stringent eligibility requirements that drew upon project-specific additionality criteria were subjective and often arbitrary. In turn, EU stakeholders acknowledged concerns about the equitability of purchasing instruments/credits from renewable energy projects receiving public subsidies or financial support (e.g., feed-in tariffs or the UK renewable obligation), but challenged that corporate incentive to invest in renewable energy is diminished even with subsidy opportunities if the zero-emissions energy cannot be claimed.

Treating green power purchases as "avoided emissions," an established practice in the US voluntary and regulatory REC market, did not prove to be a common or recognized approach to green power in the EU. In part, the emissions cap on the power sector through EU-ETS makes this approach unsupportable, though there is also no established practice in the EU to retire emission allowances on behalf of voluntary renewable energy purchases as is recommended in US regional cap-and-trade programs (e.g., RGGI and WCI). Concerns emerged in the US stakeholder group about how to substantiate ownership of avoided emissions or other avoided impacts associated with RECs (particularly as defined by several state RPS rules). The US stakeholder group discussed the challenge of overlapping attributes and claims associated with renewable energy projects that have also been credited with offsets (typically through CDM in developing countries), but the EU stakeholder group suggested that this issue was better handled by CDM boards or offset crediting bodies.

Both workshops advocated for clear and consistent voluntary reporting policies that would ultimately increase total investments and purchases in renewable energy. Both expressed a frustration with using grid average emission factors for scope 2 calculations, both due to their inherent imprecision and the limitation of reflecting green power purchases. All stakeholders indicated a desire for a positive, comprehensive vision of what the voluntary green power market and supporting tracking/disclosure systems should look like in addition to short-term recommendations of how to credibly report existing purchases and investments.

Rough draft outline of the Guidelines

As emphasized by the two scoping workshops, green power purchases are not uniform in terms of the instruments used to substantiate claims or the mechanisms to organize and distinguish those instruments. In order to achieve credible, accurate GHG accounting that can be uniform and consistent in a variety of markets, clarity is needed around the following three issues: attributes, ownership and eligibility. The issue of attributes concerns the specific type of emissions information that is captured in energy-related instruments (i.e., a zero-emissions/MWh rate, a quantity of avoided emissions, and/or simply proof of renewable generation). Ownership concerns the system-wide tracking and calculation mechanisms necessary to support attributes being uniquely sold and claimed, avoiding double counting or inaccurate emissions allocations to end-users. Finally, the topic of eligibility reflects questions

on whether and how to distinguish what types of renewable energy projects should be appropriate to use for voluntary green power claims, or in differentiated supplier programs. The first two concern clear and accurate accounting, while the last concerns the more subjective issue of consumer expectations and market impact, arguably an issue as important to the success of a voluntary green power market as the accounting framework itself. Therefore, the Power Accounting Guidelines will include four main sections: Introduction, Part I: Principles; Part II: Scenarios; and Part III: Recommendations.

Introduction

1. Central question: *How should companies account for emissions from power purchases in a GHG inventory?*
2. Any guidance on green power accounting has to fit coherently within a larger approach to all power accounting, so what are the existing best practices and approaches adopted by GHG programs?
 - a. What is already established?
 - i. Scope categories
 - ii. Discussion of indirect emissions in Ch. 8
 - iii. Green power reference (RECs Alcoa case study)
 - b. What is not specifically addressed?
 - i. No specifications on emission factors to use, or how to use supplier-based EFs
 - ii. No definition of green power and what instruments convey rights to the associated GHG emissions profiles
 - iii. No description of how to calculate/account for green power purchases in an inventory
3. Objectives of the publication
 - a. Clarify GHG accounting principles critical for discerning definitions and applicability of green power purchases
 - b. Provide guidance and explanation on real-world scenarios
 - c. Offer short and long-term recommendations on company decision-making criteria for green power purchases and how to enable system-wide conditions to support credible green power markets.

PART I: Principles

See below description of TWG chapters on attributes, ownership and eligibility.

Part II: Scenarios

The issues and principles from Part I will be applied to several real-world scenarios in order to discern how to ensure accuracy, credibility and consistency. Scenarios include on-site renewable energy projects, renewable energy in emissions-capped power sectors, and renewable energy offset projects.

Part III: Recommendations

Possible categories of short-term recommendations

Reporting Specifications

- Reporting on purchases/investments in systems where the GHG attributes have not been clearly specified
- Reporting on purchases from multiple jurisdictions or markets in a single inventory
- Possible reporting formats (ex: net/gross) to clarify accounting role and impact of external products

Communication and Claims

- Claims and suggested language for articulating the impact of different green power purchases/investments
- Suggested background information and context to include about purchases/investments
- Ways to describe the purchase/investment's impacts occurring outside of the GHG inventory
- How to report on purchases/investments that do not meet all quality

Possible categories of short-term recommendations

criteria

Decision-making tree for investing in a project

- A framework to analyze a given purchase/investment opportunity based on the company's objectives for the purchase/investment and the quality criteria concerning attributes, ownership specifications, and relevant eligibility
- Relevant factors to consider in choosing location of a green power product/investment
- GHG-relevant specifications to outline in energy contracts or to ask of suppliers in order for GHG claims associated with the energy to be clear, credible and transparent

Possible categories of long-term recommendations

System design elements

For countries without clearly established voluntary or mandatory electricity markets or attribute tracking: What are the key design features necessary for building and coordinating a sound system that facilitates accurate tracking?

Green pricing programs/labels

What are the best practices for green pricing programs/labels to satisfy accounting requirements/principles and ensure clear communication to consumers?

Optimizing accounting clarity between voluntary and regulatory markets

Tracking systems can accomplish goals for multiple markets and policies: How can decision-makers clearly design or designate certification/tracking mechanism to simultaneously fulfill multiple goals? (i.e., proof of origin for disclosure, receipt of subsidies, supplier portfolio requirements, etc.)

Overcoming barriers to implementation of required criteria

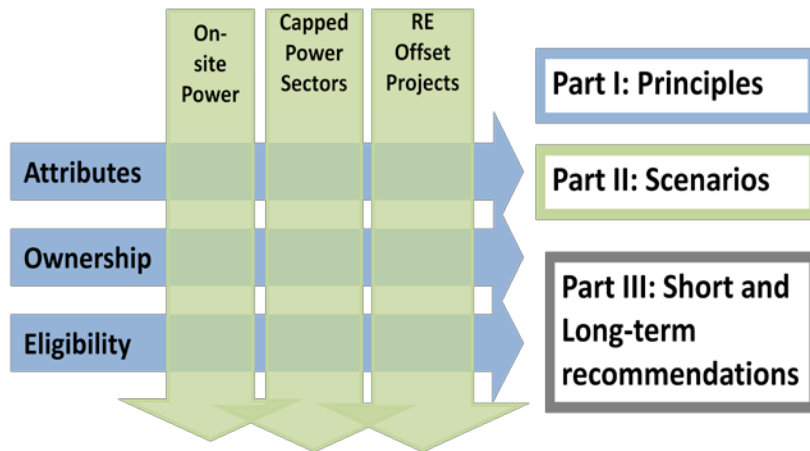
Identifying common barriers (administrative, financial, technical, etc.) to implementing accounting principles and tracking mechanisms may help relevant actors and decision-makers understand the options and existing best practices related to these challenges.

Content Development Through Technical Working Group (TWG) Phases

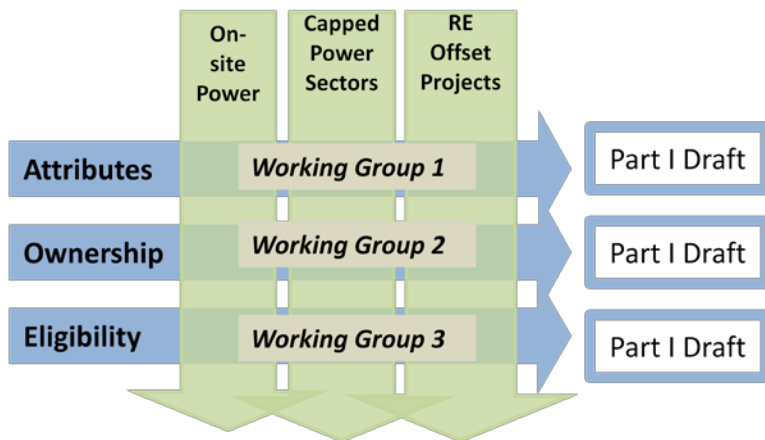
Technical Working Groups are designed to help define and elaborate the technical content. WRI serves as the Secretariat for the development process, holding final say in the Guidelines' content. Stakeholders will have an opportunity to join any of the TWGs in any of the phases. To ensure coherence and avoid duplication between work streams, WRI may invite individuals to serve as TWG chairs to help in drafting and/or serve across multiple phases. This relationship between these three Parts, and the content of the TWGs, is depicted below.

Individuals will be able to rank, in order of preference, their membership in the TWGs. WRI will seek to match individuals with their preferred TWG, but will also have to ensure overall balance in the composition of the TWGs. TWG members will also have the opportunity to join a separate, cross-cutting sub-group on emerging economies that will ensure coordination amongst the project activities in relation to major emerging economies, such as Brazil, China, India, Mexico and others.

Publication Structure

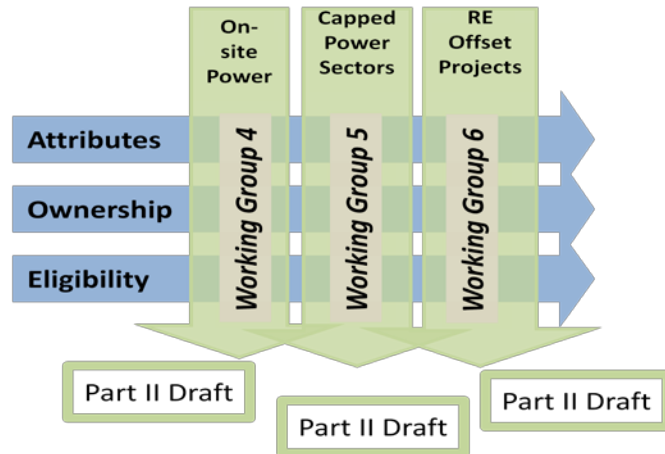


Phase I

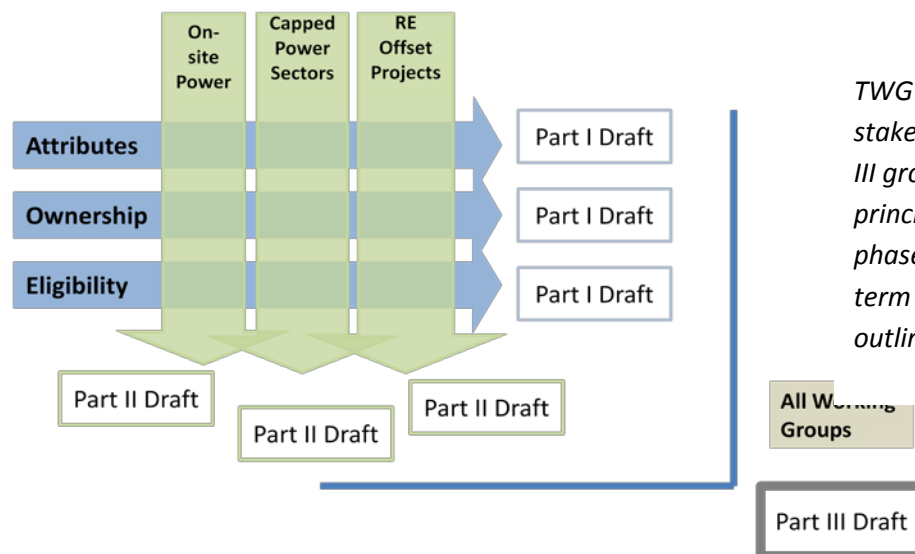


Three TWGs would examine the key principles of attributes, ownership and eligibility, each forming a chapter in Part I. The workplan will include questions about the three scenarios for Part II (indicated in the overlapping arrows), as well as about recommendations for Part III.

Phase II



Phase III



TWG members from prior phases and other stakeholders will have a chance to join Phase III groups—subject areas TBD based on principles and on ideas generated in earlier phase discussions. Possible short and long-term recommendation topics described in outline.

TWG content outline

A proposed workplan for the first TWG phase focused on principles, with questions to spur discussion on scenarios (Part II) and recommendations (Part III), is described below.

Working Group 1: Attributes	
<p>1. Three approaches identified through the stakeholder scoping workshops:</p> <ul style="list-style-type: none"> • Emission Rate Approach • Avoided Emissions Approach • Life Cycle Approach <p><i>For each approach:</i></p> <ul style="list-style-type: none"> • What is the basis for defining this attribute? • What are existing instruments that capture this attribute? • Are there circumstances in which claiming this attribute is not defensible? • What is the corporate GHG accounting procedure that follows from recognition of this attribute? 	
<p>2. US compliance REC attributes</p> <ul style="list-style-type: none"> • Regulatory state RECs can be purchased by companies (not a “voluntary market” but a voluntary purchase) – do differing state definitions matter here? Or can a single corporate GHG accounting approach work, regardless of what other attributes are claimed? 	
<p>3. Avoided emissions approach</p> <ul style="list-style-type: none"> • Conceptual clarity of this approach? • Necessity of additionality criteria, or being conveyed in units of MWhs? • Given that unsupported in capped power environments, what is value of addressing the approach going forward? • Role of energy efficiency credits/white tags? How different from offsets? How recorded in inventory? What quality criteria? 	
<p>4. Life cycle approach</p> <ul style="list-style-type: none"> • What precedent for upstream electricity emissions tracking? What categories, methods recommended in forthcoming value chain standards, ISO, etc.? • Given the limitations of capturing LCA information within a tradable, enforceable instrument, what is the role of an LCA discussion within these guidelines? 	
<p>5. Understanding attributes in unspecified systems</p> <ul style="list-style-type: none"> • In countries without established voluntary markets or de-linked certificates, what assumptions and practices have emerged, formally or informally, regarding attributes from RE projects? 	
<p>6. How would these attribute approaches and related instruments apply in:</p> <ul style="list-style-type: none"> • On-site renewable energy installations • Emission-capped power sectors • Renewable energy offset projects 	

Working Group 2: Ownership	
1. Grid average emission factors	<ul style="list-style-type: none"> Is this mechanism for organizing and attributing emissions information realistically adjustable? What are the true barriers to adjustment?
2. Supplier-specific emission factors	<ul style="list-style-type: none"> What does adjustment look like for: <ul style="list-style-type: none"> Ex-post contracts RE certificates + residual mix All-energy attributes + residual mix What considerations in emphasizing supplier-specific EFs?
3. Preference and recommendations	<ul style="list-style-type: none"> All countries have a grid average emission factor, and most have some supplier information. How do these systems overlap, and is there a means of discerning preference that can be established?
4. Green power pricing programs	<ul style="list-style-type: none"> How have suppliers ensured unique ownership of the parts of their portfolio designated for customers of green pricing programs? Precedent outside of UK for offset-pairing approach? Coherent approach to limit to scope 2?
5. Ensuring ownership in unspecified systems	<ul style="list-style-type: none"> For countries without an established RE voluntary market or de-linked certificates, what mechanisms (contracts, etc.) convey ownership? What are the other policy goals that emerging economies that attribute tracking might complement?
6. How can ownership be ensured in these scenarios? How would purchases and adjustments work?	<ul style="list-style-type: none"> On-site renewable energy installations Emission-capped power sectors Renewable energy offset projects

Working Group 3 Eligibility
<p>1. Equity</p> <ul style="list-style-type: none"> • What criteria and considerations for energy that is publically-supported? • How should programs/vendors/policies define “public support”? • How can the relative impact of public subsidy vs. corporate investment be estimated? • What are the impacts of eligibility restrictions on the market?
<p>2. Driving the market</p> <ul style="list-style-type: none"> • If consumers desire their purchase to “drive the market,” is this inherently market-specific or are there overarching principles or a framework?
<p>3. Buying instruments from regulatory markets as eligibility screening technique:</p> <ul style="list-style-type: none"> • Reduce supply of instruments needed for supplier obligations <ul style="list-style-type: none"> ○ End-user purchases and retires state compliance REC ○ End-user purchases and retires ROC (not sent to supplier) • Reduce supply of allowances for emissions <ul style="list-style-type: none"> ○ Impact on emission rates? What’s the proper accounting? More abstract environmental benefit? Long or short-term expectations around the action?
<p>4. Green pricing programs</p> <ul style="list-style-type: none"> • What are the best practices regarding location of REC/REGO sourcing to meet consumer expectations? (Green-e suggests same NERC region...)
<p>5. Distinguishing eligibility criteria/information</p> <ul style="list-style-type: none"> • How are eligible projects distinguished from other green power installations? • How is this achieved in systems that already have established green power tracking? • How is the eligibility monitored and verified? <ul style="list-style-type: none"> ○ Voluntary certification programs ○ Government policy specifications
<p>6. Ideas for eligibility in unspecified systems</p>
<p>7. Applying eligibility criteria to scenarios:</p> <ul style="list-style-type: none"> • On-site renewable energy installations • Emission-capped power sectors • Renewable energy offset projects

Revised Timeline

SCOPING	June –Aug 2010	QUESTIONNAIRE Distributed as initial scoping to establish key questions and identify existing
	July 2010	WORKSHOP presentation for WRI business team roundtable on <i>Navigating a Changing Business Climate</i> , Washington D.C.,
	December 2010	US ROUNDTABLE on Accounting Challenges and Options , Washington D.C., and hosted by DEFRA. Workshop focused on the US market
ROUNDTABLE DISCUSSIONS	January 2011	EUROPE ROUNDTABLE on Accounting Challenges and Options , London, and hosted by DEFRA. Workshop focused on the EU market
	April 2011	SYNTHESIS and DEVELOPMENT PLAN GHG Protocol releases synthesis of results from the US and EU Roundtables and an outline of the Guidelines, including prospective structure of the Technical Working Groups (TWGs)
	May 2011	MEXICO ROUNDTABLE on Accounting Challenges and Options . Mexico City, and hosted by Walmart-Mexico and CESPEDES. Workshop will focus on emerging economy markets and drivers.
TECHNICAL WORKING GROUPS	May 2011	TWG KICK-OFF WEBINAR to introduce outline and TWG process
	June-Aug 2011	TWG meetings
DRAFTING and REVIEW	September 2011	FIRST DRAFT for TWG review
	December 2011	SECOND DRAFT for TWG review
	February 2012	THIRD DRAFT for public comment
DESIGN and PRODUCTION	April 2012	INTERNAL review of final draft by WRI and WBCSD; editing and graphical design
	August 2012	PUBLICATION of the Guidelines

Initial Feedback Requested

This document represents an initial proposal for structuring the TWGs, and feedback on this vision is sought prior to extending formal invitations to join the TWG. Specifically:

- Are there other key issues/principles to include that are essential elements of ensuring credible green power purchases?
- Are there other real-world scenarios the TWGs should address that present challenges in applying multiple principles?
- Does this outline of TWG questions and queries provide a useful framing? What other questions or areas of research should be included in each TWG?