

Background

Over the past 10 years, an increasing number of organizations have been measuring and tracking their greenhouse gas (GHG) emissions through the *Corporate Standard* framework designed by GHG Protocol Initiative. Equipped with information about their GHG profile, companies have sought ways to reduce their emissions, including the use of external instruments such as offsets and green power products. The GHG Protocol *Corporate Standard* provides basic guidelines on setting a reduction targets and evaluating offset quality (Ch.11), but does not address how to evaluate and account for green power products such as premiums paid for renewable energy through utilities; long-term green power contracts; and certificates intended to help track the generation of electricity from renewable energy installations (e.g., RECs, ROCs, etc).

Intended Scope and Content

To answer the questions listed above and harmonize GHG accounting practices worldwide, the GHG Protocol Initiative at the World Resources Institute (WRI) has begun a process to develop guidelines focused primarily on the corporate accounting practices for green power products. These guidelines are designed to assist organizations preparing corporate inventories and mitigation strategies, as well as for GHG reporting programs and initiatives setting policies on the role and use of green power products in achieving member organizations' emissions targets. Because accounting for these power products involves an understanding of how those products function within their regional/national grids and energy markets, the guidelines will identify internationally-relevant principles that emerge from the stakeholder development process (see below), as well as how those principles play out in specific markets (including the US and Europe).

Credible corporate GHG accounting for power products also requires coordination with system-wide tracking mechanisms, and the guidelines may also offer recommendations on a framework for tracking voluntary renewable energy purchases at a system or sub-regional grid level.

Green Power Accounting Issues

The variety of green power products available internationally reflects a diversity of national/regional electricity policies and voluntary approaches: within this range of choices, organizations have sought clarity regarding the GHG impact of different green power products. Some of the common questions in these topics include:

- *Defining the GHG impacts of green power*
 - o What are the differences in the GHG impacts of various green power products?
 - o How can those impacts be evaluated, tracked and reflected in a GHG inventory?
- *Calculation methodology*
 - o Should the zero GHG emissions/MWh profile associated with purchased renewable energy be used as the emissions factor to calculate that portion of the scope 2 inventory ?
- *System-wide conditions*
 - o What kind of system-wide tracking conditions need to be in place for zero GHG emissions/MWh profiles to be sold and claimed? (i.e., "backing out" the renewable energy profile from the average GHG emissions rate).
- *Green power under different regulatory regimes*
 - o How do the GHG impacts of green power products change under regulatory regimes such as an emissions cap on the power sector?
- *Green power from credited renewable energy offset projects*
 - o Do the emission reductions embodied in a grid-connected renewable energy offset necessitate adjustments to system-wide grid average calculations?
- *Recommended elements in energy contracts*
 - o What GHG-relevant specifications should energy contracts include in order for GHG claims associated with the energy to be clear, credible and transparent?

Development Process

To develop these guidelines, the GHG Protocol has assembled a Technical Advisory Group (TAG) composed of GHG reporting programs and other organizations with expertise in mitigation strategies and green power products. The TAG will help shape the

guidelines's scope, offer recommendations on industry best practices, and comment on drafts of the guidelines. The GHG Protocol will incorporate the TAG's input while ensuring consistency with the GHG accounting principles previously established through the *Corporate Standard* and the *Project Protocol*. Broader stakeholder input will be solicited through an open comment period to be held later in the guidelines' development.

Experts from the following list of organizations have provided initial feedback on the scope of these Guidelines:

<u>Companies</u>	<u>Government</u>	<u>Voluntary Programs</u>
BT (UK)	NREL (US)	The Climate Registry
Deuchposte (Germany)	Sustainability Victoria (Australia)	Carbon Disclosure Project
Walmart	Defra (UK)	EPA Green Power Partnership
Johnson & Johnson		Climate Savers
		Lev-On Group
<u>RE/GHG Product Retailers</u>	<u>Tracking Systems</u>	GHG Management Institute
Climate Action Reserve	PJM-GATS	Brazil GHG Protocol
Renewable Choice Energy	APX	WBSCD
CarbonFund	RECs International	

Key Engagement Milestones to Date

- Questionnaire
Distributed questionnaire, compiled responses, and conducted follow-up conversations regarding scope of guidelines and existing best practices (Summer 2010)
- Presentation and Discussion at WRI "Navigating a Changing Business Climate" workshop
Hosted by Business Engagement team within WRI Climate and Energy program, with goal of bringing together businesses, experts and voluntary reporting programs to identify promising voluntary climate strategies in an uncertain regulatory environment (July 2010)
- Interviews with experts in regional renewable energy tracking systems in U.S.
Inquired on prospects for grid adjustments to reflect emissions profile claims associated with RE energy contracts and claims (August 2010)
- Internal WRI briefing on green power accounting issues
Outlined key green power accounting issues with group of 8 experts from WRI Climate and Energy program with expertise in corporate GHG accounting, international voluntary GHG reporting programs, U.S. state and regional regulatory frameworks related to energy, and business innovation (Sept 2010)

Next Steps – Workshops in DC and London

A first draft of GHG accounting options for green power will be distributed by late November, summarizing the key issues described above and reflecting the input of the TAG to date. To gain meaningful feedback on this draft beyond formal written comments and to build understanding of the issues, WRI envisions discussion-oriented workshops in Washington D.C. in mid-December, and Europe in mid/late January. Our experience is that in-person meetings provide critical opportunities to clarify issues succinctly and cultivate commitment to the process and the resulting product. Some of the objectives of both workshops would include:

- Explaining the challenges in green power accounting
- Discussing the specific scenarios where double counting occurs
- Discussing options in green power accounting and how they may address the above challenges
- Building consensus on key accounting issues through sharing of best practices
- Identifying areas for further research or convening needed as part of composing a first draft

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