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# AIB'S RESPONSE TO THE SURVEY ON THE REVISION OF THE GREENHOUSE GAS PROTOCOL

## 1 SUMMARY

The Greenhouse Gas Protocol is a de facto standard for corporate reporting of carbon emissions, managed by the World Resource Institute. The announced update of the GHG Protocol includes a risk for double counting.

Below is the response of AIB to the surveys of WRI regarding the update of the GHG Protocol, as approved by the EECS Unit on 24 January 2023.

The survey on the Scope 2 Guidance touches closest on the usage of guarantees of origin for electricity and gas, hence is considered to be the most relevant one for AIB and for individual issuing bodies.

The survey on Market Based Accounting mechanism is relevant as well, as it evaluates the concept and at the same time explores its further evolution.

More info on the survey and how to participate can be found on this link.

#### 2 CORE MESSAGE

Where some stakeholders defend location-based accounting as opposed to market-(GO, ...)-based accounting, the location-based accounting method induces double counting of renewable attributes, undermines the GO system - where such exists - and removes incentives for consumers to be more environmentally friendly than the default of the region. It should be prevented to use the location-based accounting where GOs are the legal instrument for disclosing the origin of consumed energy.

## 3 AIB RESPONSE TO THE SURVEY

On 24 January 2023 AIB's reaction was approved by the EECS Unit consisting of the issuing bodies of guarantees of origin. It limits to specific questions. AIB's answer is in *green italic* text.

## 3.1 Market Based Accounting survey

# **Accounting approach**

- 19. Do you think that market-based accounting approaches ensure that emission reductions reported in a company's GHG inventory correspond to a reduction in emissions to the atmosphere?
- Yes No Not sure
- 20. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

In EU there is a differentiation of tracking instruments for different purposes (consumer information, policy target accounting, direct financial production support). Each instrument is having an impact.

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Also where market instruments are used 'only' for disclosure to consumers of the origin of their consumed energy, these consumers are empowered to give a demand signal to their suppliers and their governments.

21. If yes, how do they ensure consistency between company and global emission reductions? You may enter brief comments here or submit a more detailed proposal using the proposal template. While national policies have their impact mainly within their own borders, multinational companies can generate a global impact following their choices on the origin of their purchased energy. While each instrument is designed for having its own effect, the more the various instruments align, their impact will be bigger.

It is important that voluntary emission accounting initiatives do not undermine governmental instruments and recommended that they build further upon them.

- 22. Could current or new market-based approaches be designed to ensure that emission reductions reported in a company's GHG inventory correspond to a reduction in emissions to the atmosphere? Yes No Not sure
- 23. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

Transparent information on a tradable certificates is key to the effect of the instrument. Consumers may differentiate their purchases and their willingness to pay, based on such objective information.

24. If so, how? For which types of market instruments and approaches? You may enter brief comments here or submit a more detailed proposal using the proposal template.

European guarantees of origin under EECS (European Energy Certificate System) have harmonised the type of information facilitated to the certificate holder regarding the represented energy. This amongst others includes the energy source, technology, location and capacity of the production device, commissioning date of the production device, whether the energy was grid-injected, etc.

They optionally can convey information regarding the carbon footprint of the represented energy. Here a handicap is that there is not a single globally accepted methodology for determining this carbon footprint information and that various governmental and market initiatives use varying methods. Aligning such would empower consumers to have a more straightforward impact with their purchase of a market-based instrument.

# Role in corporate GHG reporting

- 37. Please select which of the following option(s) best represents how you think mass-balance certification approaches (see background memo on types of market instruments) should be accounted for within corporate GHG inventory reporting. Please select all that apply:
- a. No role in corporate GHG reporting
- b. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, to provide transparency and context on actions the company is taking to reduce emissions (similar to reporting avoided emissions or impacts of specific actions separately from scope 1, scope 2, and scope 3 emissions)

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- c. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, which could potentially be used to contribute to achieving a company's GHG target(s)
- d. Used to calculate scope 1 emissions
- e. Used to calculate scope 3 emissions
- f. Not sure/No opinion
- g. Other (please specify)
- 38. Please explain your selection for use of mass-balance certification.

It needs consistent interaction with other certification purposes and depends on the type of commodity tracked with the mass balancing scheme.

For grid-transported energy carriers, the overhead work required for mass balancing is not necessary if there is a clear system perimeter and a residual mix in place and enforceable. Where that is not possible, mass balancing for grid-transported energy carriers in practice shouldn't go further than the concept of 'deliverability'.

- 39. Please select which of the following option(s) best represents how you think book-and-claim certification (see background memo on types of market instruments) should be accounted for within corporate GHG inventory reporting. Please select all that apply:
- a. No role in corporate GHG reporting
- b. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, to provide transparency and context on actions the company is taking to reduce emissions (similar to reporting avoided emissions or impacts of specific actions separately from scope 1, scope 2, and scope 3 emissions)
- c. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, which could potentially be used to contribute to achieving a company's GHG target(s)
- d. Used to calculate scope 1 emissions
- e. Used to calculate scope 3 emissions
- f. Not sure/No opinion
- g. Other (please specify)
- 40. Please explain your selection for use of book-and-claim certification.

Where an acknowledged book-and-claim system is in place for disclosing the environmental attributes of a commodity to a consumer, there this system MUST be used for corporate accounting of these environmental attributes. Not doing so, is promoting double counting of the environmental benefits (of e.g. energy from renewable sources).

A Book-and-claim system works well within a clear system perimeter and a residual mix that is enforceable within that perimeter. The residual mix represents the attributes of untracked supply (excl. the attributes of supply covered with the accepted market-based instrument, as the European Guarantee of Origin).

Where such residual mix is enforceable, the book-and-claim system should be acknowledged as only proof of the uniqueness of the represented environmental attributes.

Role of GHG Protocol accounting and reporting standards vs. GHG target setting or reduction programs

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# Background:

Implementation of a market-based accounting system related to scope 1 and/or scope 3 would require programmatic decisions and programmatic oversight/enforcement on issues such as (but not limited to):

- contractual arrangements that generate and transfer ownership of rights and obligations related to emissions and emission reductions between parties,
- policy decisions on the eligibility or lack thereof of different types of instruments to meet a company's targets,
- setting the level of ambition of targets for different companies and sectors,
- defining a set of quality criteria (e.g., additionality, permanence, avoiding leakage, unique issuance and claims, independent verification, program governance, etc., and/or other quality criteria) that cannot be enforced by a voluntary standard alone
- avoidance of double counting (including through registries for issuance, tracking, and retirement to ensure unique claims; development and use of residual emission factors by all actors in the system; avoidance of double counting between location-based and market-based accounting system
- 46. The GHG Protocol sets standards but does not administer any program (e.g. disclosure or target-setting). Given several programmatic considerations such as those listed above, would market-based approaches be more effectively implemented by GHG target setting or reduction programs or regulatory bodies, rather than by the GHG Protocol, in order to provide additional rules and decisions as well as ensure their administration, verification, and enforcement?
- Yes No Not sure
- 47. Please briefly explain your selection for who should provide rules and decisions on the accounting and reporting specifications, administration, verification and enforcement of market-based approaches.

The implementation of market-based approaches by other than the GHG Protocol is anyway the case. What is important is the GHG Protocol doesn't undermine them. The GHGP can enhance their impact by making effective use of them.

Consumers will anyway make claims regarding the origin of their purchases. This is almost impossible to stop, and forbidding it would undermine corporate initiatives to contribute to the clean energy transition. If various consumers chose differing instruments for their origin claims, this risk double counting of the claimed environmental benefits, which must be prevented. Therefore, it is important that consumers are given a consistent single pathway for proving their claims.

## 3.2 Scope 2 Survey

15. Do you think there is a need for updates related to the scope 2 location-based method?

- No (no update needed)
- Minor update (clarifications or additional guidance needed)
- Major update (major changes or revisions needed)

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No opinion/Not sure

16. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

The location-based accounting method induces double counting of renewable attributes as it undermines the guarantee of origin (GO) system (where such exists). It should therefore be prevented to use the location-based accounting where GOs are the legal instrument for disclosing the origin of consumed energy.

Also it removes incentives for consumers to be more environmentally friendly than the default of the region.

- 17. Do you think there is a need for updates related to the scope 2 market-based method?
- No (no update needed)
- Minor update (clarifications or additional guidance needed)
- Major update (major changes or revisions needed)
- No opinion/Not sure
- 18. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.
- 19. Do you think there is a need for updates related to the dual reporting requirement, i.e., to report scope 2 emissions using both the location-based method and market-based method?
- No (no update needed)
- Minor update (clarifications or additional guidance needed)
- Major update (major changes or revisions needed)
- No opinion/Not sure
- 20. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

Where there exists a market-based system, like the European Guarantee of Origin (GO) system, the location-based accounting method induces double counting of renewable attributes. It undermines the credibility of the legislative guarantee of origin system (where such exists) that suppliers must use for disclosing to their consumers the origin of the energy supplied to them. For supply that is not covered by cancelled guarantees of origin, the residual mix MUST be used.

(The residual mix represents the attributes of untracked supply (excl. the attributes of supply covered with the accepted market-based instrument, such as the European Guarantee of Origin.

Where such residual mix is enforceable (as it is in EFTA countries), the GO system should be acknowledged as the ONLY proof of the uniqueness of the represented environmental attributes.