

CEBI Workshop on Draft GHG Protocol Scope 2 Revision Recommendations



CEBI
CLEAN ENERGY
BUYERS INSTITUTE

December 6, 2022

Today's Objective

This workshop will:

- (1) Share CEBI's draft Scope 2 revision recommendations** that workshops to date have identified that are needed from the Greenhouse Gas (GHG) Protocol in order to enable next-generation procurement,
- (2) Solicit final feedback from a broad range of stakeholders** on the immediate recommendations to the GHG Protocol, and
- (3) Share call to action** on submitting comments to GHG Protocol surveys.

Today's Agenda

2:00 – 2:10

Introduction and background

2:10 – 2:20

Share guiding principles for CEBI's recommendations

2:20 – 2:55

Discussion: Drafted recommendations for GHG Protocol survey/proposals

1. Maintain but evolve the market-based method under scope 2
 - 1a. Provide new data hierarchies
 - 1b. Broaden language throughout to become tech-neutral
 - 1c. Develop new guidance on procurement through energy storage systems, incl. hydrogen
 - 1d. Update the order of operations to accurately reflect and value utility decarbonization
2. Explore pros and cons of adding a third avoided carbon emissions number
3. Extend the market-based method for electricity use in Scope 3
4. Develop a new process and governance structure for more agile GHGP updates

2:55 – 3:00

Next steps and call to action

Workshop Ground Rules

Use The Chatham House Rule

You can say who was here and what was said, but not who said what

Respect Democracy of Time

Keep your comments brief so we can make the most out of our limited time together as a full group

Use the Zoom Features

Update your company name on Zoom; share additional ideas, details, questions, etc. via chat

What's happening with GHG Protocol?

- GHG Protocol is starting a process to determine the need and scope for additional guidance building on the existing set of corporate GHG accounting and reporting standards for scope 1, scope 2, and scope 3 emissions.
- The aim of any updates will be to align with best practice approaches to ensure GHG Protocol standards for scope 1, scope 2 and scope 3 are effective in providing a rigorous and credible accounting foundation for businesses to measure, plan and track progress toward science-based and net-zero targets in line with the global 1.5°C goal. Furthermore, a key focus will be to ensure harmonization and alignment with accounting rules under development through major disclosure initiatives, including the US Securities and Exchange Committee (SEC), European Commission (e.g. EFRAG), and others.
- The ~2-year stakeholder process has kicked off with the release of **4 surveys**, with **responses due Feb 28th, 2023**.
- WRI is also undergoing a strategy refresh to determine whether a renewed governance process for the GHG Protocol is needed going forward.

What do the GHG Protocol surveys ask about?

- The four GHG Protocol surveys cover:
 1. Corporate Accounting and Reporting Standard
 2. Scope 2 Guidance
 3. Corporate Value Chain Standard and Scope 3 Calculation Guidance
 4. Market-based accounting approaches
- The surveys ask for high-level input about if and how the GHG Protocol can be updated to improve greenhouse accounting, decision-making, and ensure alignment between ambition and action with global emission reduction needs to keep global warming below 1.5°C.
- The Greenhouse Gas Protocol also offers an optional proposal template for suggested updates/amendments/additional guidance.
- CEBI plans to submit the following by the February 28, 2023 deadline:
 - Comments on surveys
 - Four proposals (in alignment with the four recommendations discussed in today's workshop)

Background on GHG Protocol Scope 2

	Location-based method	Market-based method
Reflects...	Average emissions intensity of grids where energy consumption occurs	Emissions from electricity that companies have purposefully chosen (or their lack of choice)
Considers a company's electricity procurement decisions	No	Yes
Emissions factors used	Average annual or monthly emissions factors from broad geographic regions from publicly available sources (i.e. EPA eGrid) applied to electricity consumption	Hierarchy: <ol style="list-style-type: none"> 1) EACs 2) Contracts (i.e. PPAs) 3) Supplier/utility emission rates 4) Residual mix 5) Grid-average emission factors
Incentivized actions	Changing the location of a company's operations	A company choosing to procure clean electricity

What actions does the current system incentivize?

Success, limitations, and criticisms of the current Scope 2 Guidance (market-based method).

The current system, which includes the **market-based accounting method**, incentivizes companies to...

Procure **renewable electricity to match historical load on an annual basis.**

This has had **enormous success** in driving what it was intended to:

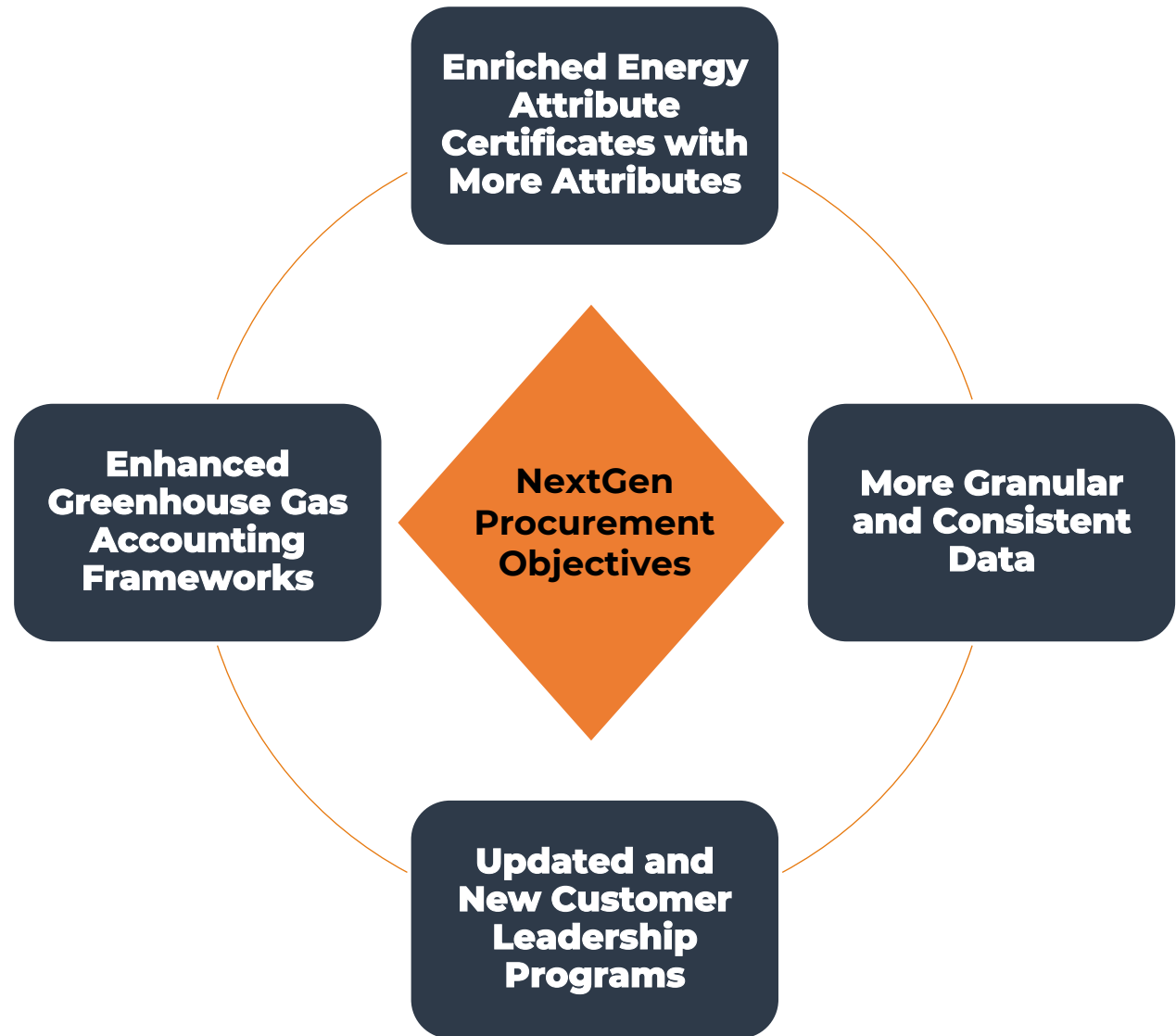
Energy customers today procure over 1 billion EACs annually, creating additional revenue for CFE resources¹.

C&I energy customers drove over 1/3 of all CFE capacity additions in the U.S. since 2014 by signing contracts for **58 GW** of new CFE capacity².

¹ RECS International, 2020 Annual Report. ² CEBA Deal Tracker, 2022.









About the NextGen Initiative

This initiative is focused on expanding the suite of carbon-free procurement options to **enable energy customers to send more powerful, targeted market signals and optimize their decarbonization impact** by:



What are companies trying to do to optimize for the decarbonization impact of electricity procurement?

Eight Customer-Identified Next Generation Procurement Objectives

	1. Procure any complementary or CFE resource.
	2. Match energy consumption with local CFE procurement on a 24/7 basis.
	3. Procure CFE at the most carbon-intensive times of day.
	4. Procure CFE in the most carbon-intensive locations.
	5. Procure CFE to cover electricity use across value chains.
	6. Apply over-procurement of CFE from certain regions to places without procurement options.
	7. Motivate systemic grid decarbonization beyond the organization's operations.
	8. Deliver social and community benefits that promote further decarbonization of the grid.

What are the types of updates needed in the voluntary CFE market system to enable next generation solutions?

Expanded CFE Procurement Menu

- Broader menu of options to advance systemic decarbonization of the grid to achieve next generation procurement objectives.

New EAC Attributes

- Make five new EAC attributes available in a consistent way that can substantiate CFE procurement claims.

More Granular & Consistent Data

- Delivery of data to issuing bodies and registries for five new attributes so that registries and issuing bodies can capture these attributes.

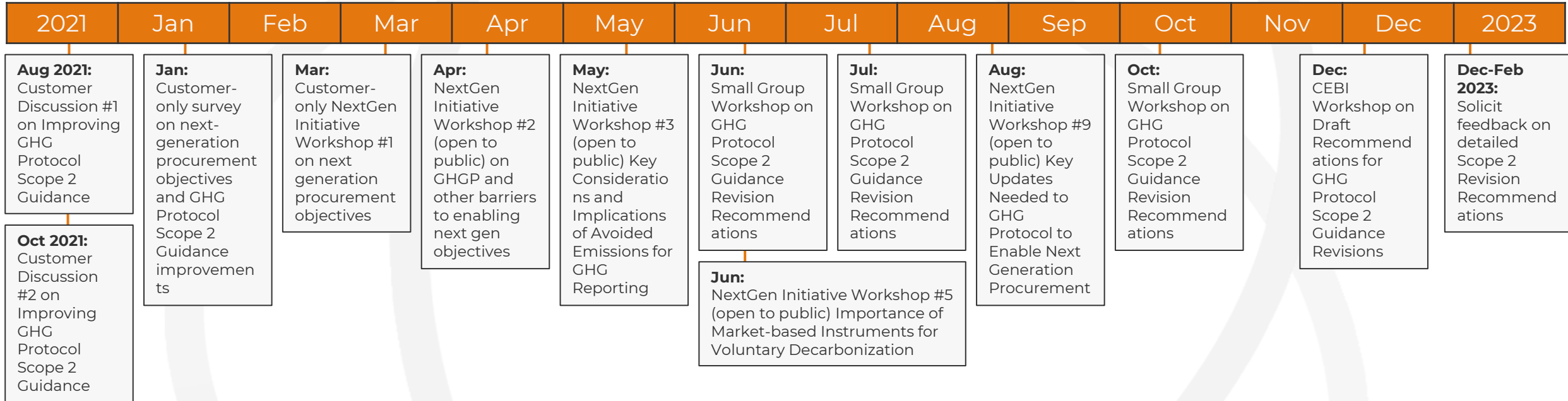
Recognition of Next Generation Goal Setting and Success Metrics

- Offer next generation goal-setting criteria for customers to pursue, where customer success in achieving program-specific goals is straightforward and marketable.

Clarifications and gap-filling in GHG Accounting

- Clarify how to conduct GHG accounting and make it easier for customers to document and report the verifiable impact of their CFE procurement and make these updates akin to software updates.

What has CEBI done so far to develop recommendations to enhance the GHG Protocol?



Who have we engaged so far?

- **150+ participants across our workshops, including:**
 - Energy customers representing a diverse set of industries, sizes, and geographies
 - Solution providers
 - Service providers
 - RTO/ISO Operators
 - EAC registries and issuing bodies from the U.S., EU, and international geographies
 - Data and platform providers
 - Federal agencies
 - NGO partners

Guiding Principles for CEBI Recommendations

▶ Guiding Principle #1

CEBI recommendations should help expand CFE procurement options for customers rather than narrow them.

▶ Guiding Principle #2

CEBI recommendations should encourage ambition without unduly limiting options for energy customers given their diverse skillsets, resources, and geographic dispersal.

▶ Guiding Principle #3

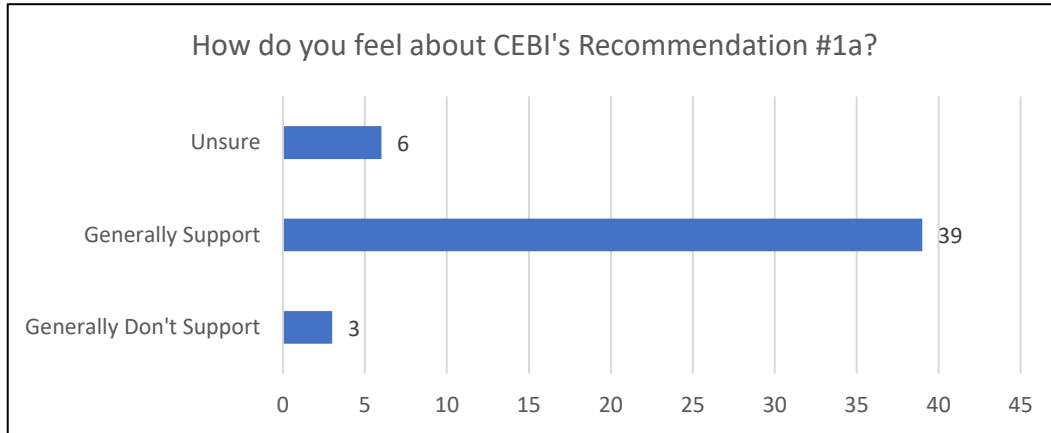
CEBI recommendations should preserve and enhance the momentum of the current voluntary CFE procurement market that is complementing policymaker action in decarbonizing the grid.

CEBI's draft recommendations and actions on GHGP

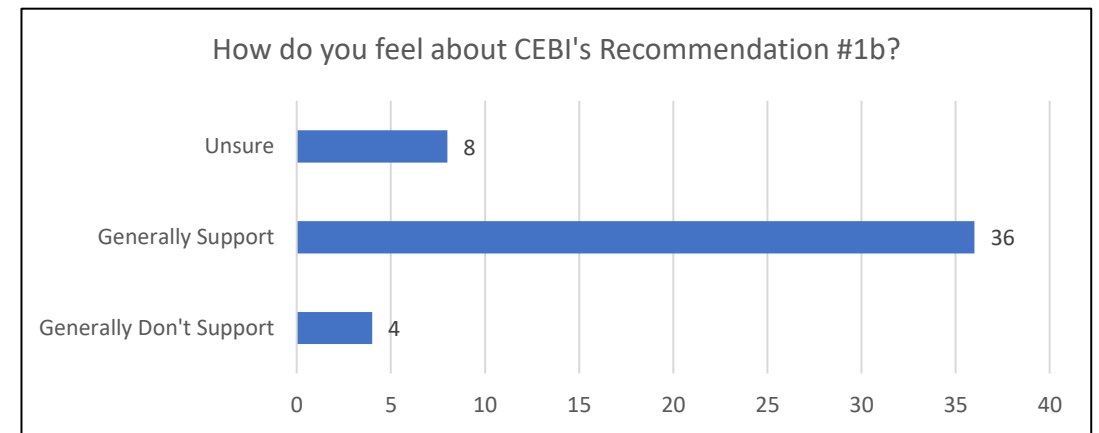
CEBI's Proposed GHGP Recommendation		CEBI's Next Steps
<p>Recommendation 1: CEBI recommends that the GHG Protocol should maintain the market-based method under Scope 2, but that the market-based method should be updated in accordance with recommendations 1a-d.</p>		<ul style="list-style-type: none"> • CEBI distributing 2-page explainers in mid-Dec. for different stakeholder groups on economic benefits of EACs. • CEBI supporting CRS-led research on impact and benefits of voluntary markets.
1a.	<p>Additional guidance should be provided that provides locational and temporal data hierarchy to help users prioritize:</p> <ul style="list-style-type: none"> (a) electricity consumption data (b) emission factors in existing hierarchy (c) EAC granularity <ul style="list-style-type: none"> • Granular certificates (GCs) should be listed as the highest precision EAC within the top category of an EAC hierarchy. 	<ul style="list-style-type: none"> • CEBI drafting recommendation with detailed data hierarchy tables. • CEBI participating in EnergyTag working group on developing methodology for accounting for GCs.
1b.	<p>Language should be broadened throughout the Scope 2 Guidance to become technology-neutral for all types of CFE generation and complementary technologies.</p>	<ul style="list-style-type: none"> • CEBI drafting recommendation.
1c.	<p>New guidance should prescribe how to account for CFE procurement through energy storage systems, including clean hydrogen.</p>	<ul style="list-style-type: none"> • CEBI convening technology-specific workshops and materials to educate stakeholders and distill buyer principles around transacting with CFE technologies beyond wind and solar, such as storage.
1d.	<p>The order of operations in which users account for the combination of purchases and grid-supplied CFE should be updated to more accurately reflect and value utility decarbonization.</p>	<ul style="list-style-type: none"> • CEBI planning meetings and workshops in 2023 to detail challenges, potential solutions, etc., possibly in collaboration with CRS.

CEBI's draft recommendations polling results

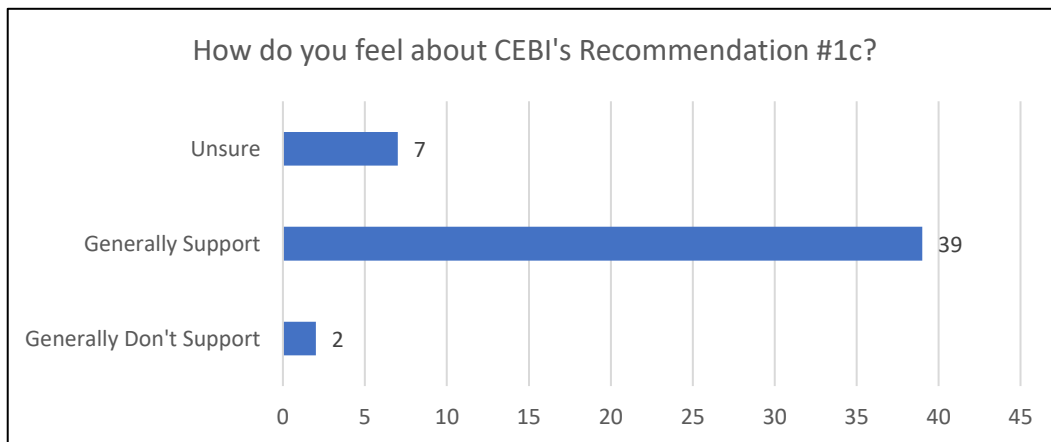
Recommendation 1a: Additional guidance should be provided that provides locational and temporal data hierarchy



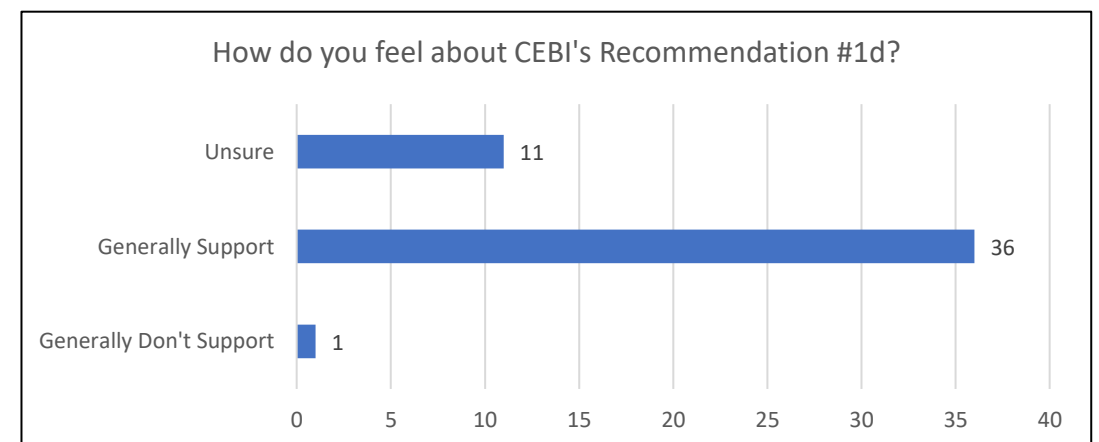
Recommendation 1b: Language should be broadened to be inclusive and tech-neutral for all CFE and complementary tech



Recommendation 1c: New guidance should prescribe how to account for CFE through energy systems, like hydrogen



Recommendation 1d: The order of operations in which buyers account for CFE purchases and grid-supplied CFE should be updated

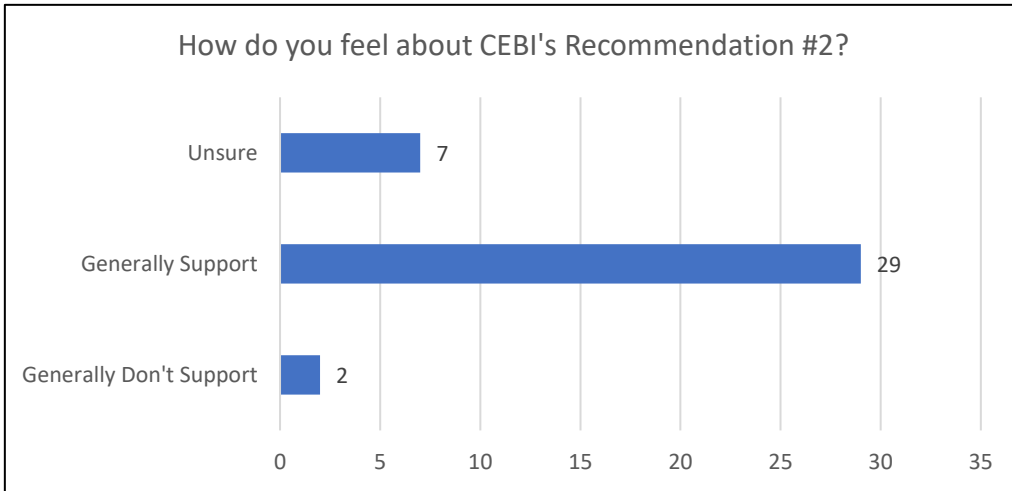


CEBI's draft recommendations and actions on GHGP

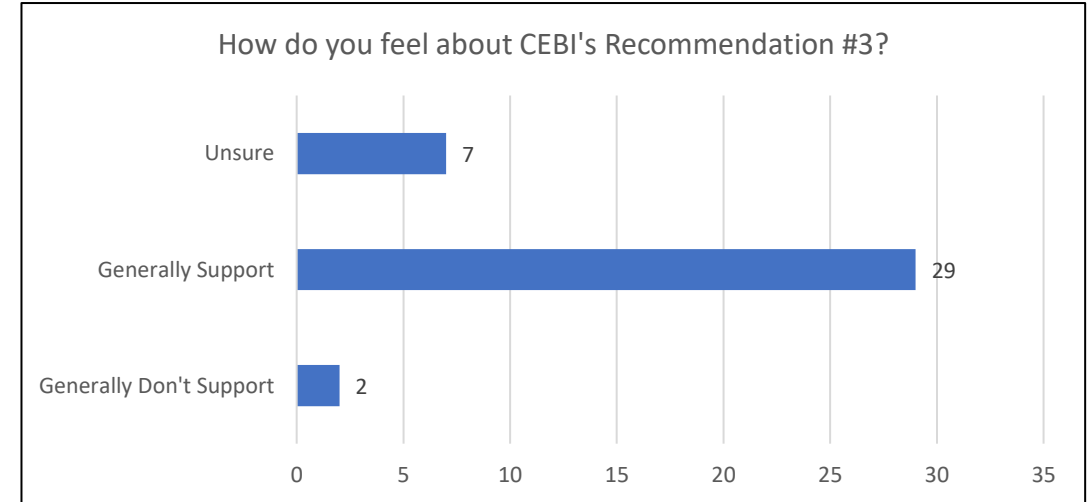
CEBI's Proposed GHGP Recommendation	CEBI's Next Steps
<p>Recommendation 2: CEBI recommends that GHG Protocol explores the pros and cons of options to add a required avoided carbon emissions impact-based number and where to put that value in addition to the location-based and market-based methods. CEBI is furthering conversations around the merits of this approach and any pre-requisites needed to feasibly calculate, utilize, and report this figure.</p>	<ul style="list-style-type: none">• CEBI planning workshops in 2023, with the next workshop taking place in January, to discuss potential solutions.
<p>Recommendation 3: CEBI recommends that the GHG Protocol should provide new guidance that extends and prescribes a market-based method for Scope 3 that allows users to procure CFE on behalf of their value chain partners to reduce electricity-related Scope 3 emissions. The new market-based Scope 3 figure should follow the new criteria as developed in the 2023 revisions process.</p>	<ul style="list-style-type: none">• CEBI collaborating with and supporting CRS CEAP project to document case examples of companies driving impactful procurement without accounting benefits and key limitations of this strategy.
<p>Recommendation 4: CEBI recommends that WRI develops a new process and governance structure for updating the GHG Protocol so that the process is more dynamic, updated more frequently, allows for piloting new approaches, considers the negative market implications of GHG Protocol changes, elevates the needs of and options available to market stakeholders outside the US and EU to attract investments, and does not require multiple years per update.</p>	<ul style="list-style-type: none">• CEBI connected with GHG Protocol team and will determine best ways to support process and governance development process that is already underway.

CEBI's draft recommendations polling results

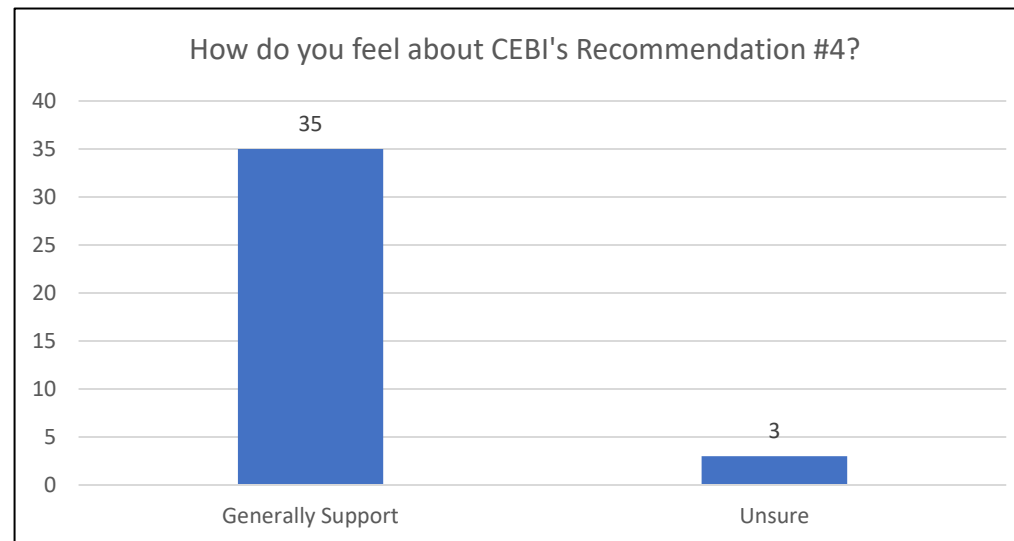
Recommendation 2: GHGP should explore adding a third avoided carbon emissions-focused impact-based number



Recommendation 3: GHGP should provide guidance on using market-based method for Scope 3



Recommendation 4: New guidance should prescribe how to account for CFE through energy systems, like hydrogen



Next Steps and Call to Action

What is the process moving forward to collect input?

Dec	<ul style="list-style-type: none"> • Dec-Jan 2023: Solicit feedback from a broad group of stakeholder on detailed Scope 2 Revision Recommendations <ul style="list-style-type: none"> • Please reach out to Kerri Metz (kmetz@cebuyer.org) to provide input at any stage 	<ul style="list-style-type: none"> • ~Jan 2023: Educate stakeholders on the importance of voluntary markets, market instruments, and the market-based method 	<ul style="list-style-type: none"> • ~Jan-Feb 2023: Lead small group workshops on longer-term GHG Protocol update opportunities (i.e., avoided emissions; accounting for order of operations for purchases and grid-supplied CFE)
Jan			
Feb	<ul style="list-style-type: none"> • ~Feb 2023: Seek CEBI Board of Directors approval, where needed, on recommendations 	<ul style="list-style-type: none"> • ~Feb 2023: Publish final recommendations on CEBI website 	
Mar	<ul style="list-style-type: none"> • ~Feb 28, 2023: Submit survey responses to GHG Protocol 		

Call to action

Energy customers, solution providers, academic researchers, and market stakeholders should:

- **Submit a response to the GHG Protocol Scope 2 survey** that encourages the GHG Protocol to enhance and expand use of EACs and market-based accounting in the forthcoming revisions to enable customers to send more powerful, targeted market signals in voluntary markets.
- **Conduct research and publish findings about the role of EACs and market-based accounting** for enabling customers to achieve procurement goals, send market signals, and drive/hasten CFE deployment.
- **Educate public officials and regulators on protecting and helping expand customer procurement options** in CFE markets.
- **Encourage EAC registries and regulators to add new attributes to EACs** that will activate next gen CFE procurement options.
- **Request that customer climate leadership programs create new categories** recognizing next gen procurement leadership.



Thank you!

Contact us with any comments or questions via
NextGen@cebi.org



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