

April 25, 2025

Prof. Dr. Alexander Bassen
Chair of the Independent Standards Board
Greenhouse Gas Protocol
10 G Street NE, Suite 800
Washington, DC 20002

RE: The Impacts of Stricter Quality Criteria for Scope 2 Market-Based Accounting on Clean Energy Market Growth

Dear Independent Standards Board Chair Prof. Dr. Bassen,

On behalf of the American Council on Renewable Energy (ACORE) and its members, we are writing to express our deep concerns that revisions from the Greenhouse Gas Protocol's (GHG Protocol's) Scope 2 Guidance Technical Working Group (TWG) on market-based accounting could unintentionally chill investment and growth in the clean energy sector.

ACORE is a 501(c)(3) national nonprofit organization that unites finance, policy and technology to accelerate the transition to a clean energy economy. ACORE's membership spans the entire energy value chain, including clean energy developers, institutional investors, corporate buyers of clean energy, manufacturers, electric power generators, retail energy providers, and other stakeholders. In 2023, roughly 85% of the booming utility-scale domestic clean energy growth was financed, developed, owned, or contracted for by ACORE members. The breadth of ACORE membership and the depth of members' investments provide ACORE with unique insight into greenhouse gas (GHG) emissions accounting methods and how those methods can influence clean energy investment decisions.

The voluntary purchasing of clean energy – through power purchase agreements (PPAs), merchant renewable energy certificate (REC) transactions, and other procurement vehicles – has successfully driven more than 100 GW of new clean energy in the U.S. and more than 200 GW of new clean energy around the world.ⁱ Voluntary purchasing mitigates risks for projects by providing revenue certainty,ⁱⁱ which allows developers to attract tax equity, cash equity, and debt to advance construction and continue operating. Without revenue certainty, most new clean energy projects, like any business, would not get built.

Stricter quality criteria for market-based accounting could unintentionally stymie ambitious actions and cause many companies to severely curtail their voluntary clean energy procurement activities. Reduced corporate demand could result in fewer clean energy projects coming online and higher emissions.

At a time when clean energy companies face significant global and domestic headwinds, an overly restrictive approach for GHG reporting requirements that shrinks the number of voluntary purchasers could be a breaking point for many companies in the clean energy market.

ACORE appreciates that the Secretariat has published slides, meeting minutes, and proposals and encourages continued transparency and engagement throughout the revision process. Unfortunately, the Scope 2 TWG is missing perspectives from practitioners with extensive experience applying the organization’s guidance to their business decisions, and this perspective is not adequately reflected in the revisions currently under consideration, based on the publicly available materials. As the Independent Standards Board (ISB) reviews revised Scope 2 Guidance, we encourage the Board to heed input and warnings from active participants in the clean energy market about the real-world impacts of significant changes to market-based accounting.

The GHG Protocol should clearly define its purpose as a baseline GHG inventory.

The GHG Protocol plays an important role in defining a standard, baseline process for reporting entities’ GHG emissions, which has allowed the public to compare GHG inventory disclosures from voluntary reporters on an apples-to-apples basis. By providing the transparent and accurate accounting of emissions, the GHG Protocol underpins efforts to drive more aggressive corporate action. Fundamentally changing the organization’s long-understood scope as a baseline standard setter to more actively “incentivize ambitious actions,” per the ISB feedback shared with the Scope 2 TWG in March 2025, and creating inflexible barriers for entities to receive the GHG-lowering benefits of clean energy purchasing – which are not necessarily aligned with the actual market drivers for clean energy deployment, as discussed in the next section – could greatly disrupt critical demand signals for the development of new clean energy generation.ⁱⁱⁱ

Long-term voluntary offtake agreements enable the deployment of clean energy by attracting project finance, without which far fewer projects would get built.

Clean energy projects, which face most of their costs upfront, rely on project financing to raise the capital necessary for construction. Project developers typically finance clean energy, such as wind, solar, and energy storage projects, by raising a combination of financing sources, including investments in federal energy tax credits (i.e., tax equity and transferability), equity investment, and debt financing. Clean energy projects do not typically secure these critical sources of project financing until a PPA with a creditworthy offtaker is signed. In fact, in 2023, 94% of new renewable energy capacity built in the U.S. had an offtake agreement in place.^{iv}

Investors in clean energy projects evaluate any risks they will not receive a desired return on investments and incorporate those risks into the rates and terms they offer to projects. Projects that do not have a long-term contract and are fully merchant, i.e., that sell all their generated electricity into the wholesale market, are subject to volatile revenues. In turn, investors typically demand a higher return on average to compensate for the risk of these fluctuating market prices.^v Furthermore, energy market revenues for clean energy projects tend to trend downward as wind and solar energy sources increase penetration in a given power market, making projects riskier for investors in the absence of long-term offtake.^{vi} Corporate offtake agreements secure a stable

contracted price, insulating the project from the effects of decreased market revenues, thereby lowering risks, and enhancing bankability.

The current market-based method of accounting underpins many of these investments because voluntary actions by clean energy buyers are the counterparty to these deals. If market-based accounting were to suddenly become stricter (e.g., hourly matching), this could shrink the number of corporate energy buyers, thereby stifling the market and reducing the number of clean energy projects deployed. The result could be level or increased emissions in the power sector.^{vii}

Secondary REC markets also play an important market function, for example by helping older projects with expired PPAs stay solvent by providing an additional revenue stream. If these older projects are unable to stay solvent, they risk early retirement, leading to more carbon-intensive grids. Furthermore, project participants often anticipate they will be able to sell the unbundled RECs generated by a project after the expiration of its PPA and will incorporate this into the underwriting process, further helping projects obtain upfront financing. For more information on how corporate procurement enables financing, please refer to ACORE's white papers, "Bridging Demand and Financing: Voluntary Offtake in Clean Energy" and "Renewable Energy Certificates: The Currency of the Clean Energy Market."^{viii/ix}

Stricter quality criteria may have the unintended consequence of stymieing ambitious action.

Stricter requirements around Quality Criteria 4 and 5 in the Scope 2 Guidance, as well as potential additional restrictions around voluntary procurement, may cause a slowdown in corporate investment in clean energy in the U.S. If clean energy purchasing must be matched to the hour it is generated, be physically deliverable, and/or meet incrementality criteria, the number of long-term PPA deals could fall significantly and the secondary REC market could disappear entirely.

This reduction in corporate procurement could play out across many different types of buyers, each with their own rationale for their curtailment in investment. A few examples of how stricter quality criteria could dampen the market and slow the deployment of clean energy in the U.S. are below:

1. There is a limited pool of clean energy projects that can deliver electricity close to 24 hours a day. For smaller businesses new to clean energy procurement, they may be unable to compete with larger buyers as the REC supply diminishes and exit the market.
2. Corporate buyers may want to target new projects in carbon-intensive grids that are farther away from their business operations, but with strict deliverability requirements they could lose the incentive to allocate their capital in these regions. This dynamic is of particular importance as certain states are considering additional barriers to clean energy development.^x If projects in these states lose the ability to secure long-term

- offtake agreements from out-of-state buyers, the rate of clean energy deployment in these markets could be significantly curtailed. This dynamic already exists in countries around the world that limit corporate procurement, which offers lessons about how changes could impact voluntary corporate actions in the U.S.^{xi}
3. Corporate buyers with distributed operations or seasonally variable energy consumption may intend to achieve 100% clean energy use but be unable to feasibly do so entirely through onsite generation and physical PPAs. Under current standards, these companies could choose to pursue virtual PPAs (vPPAs) to make up the gap. With more stringent deliverability or time-matching requirements, such buyers would no longer have an incentive to allocate further capital into vPPAs, potentially reducing their total commitments to clean energy purchasing. For voluntary reporters with limited resources and/or thousands of distributed sites, hourly matching requirements could increase their reporting burden and unintentionally reduce the amount of capital these buyers deploy to clean energy projects. Reporting at this level of granularity raises questions on feasibility and could threaten to reallocate capital away from clean energy projects.
 4. Corporate buyers could halt procurement once the draft standards are released if there is no clear direction over how projects previously procured are credited under the revised Scope 2 guidance. Many corporate buyers sign PPAs with durations of upwards of 20 years. Buyers need certainty to transact, and the release of a draft revision to the GHG Protocol's guidance that does not provide clear credit for historical purchases (e.g., a grandfathering clause), could freeze the market and reduce deployments of clean energy projects.

Recommendations

ACORE encourages the ISB to heed practitioner voices as it evaluates the draft guidance for public comment later this year. The GHG Protocol's guidance underpins how investors and consumers understand the GHG emissions of reporting entities and directly affects their business decisions, driving corporate procurement in the U.S. and around the world. The organization can advance its critical accounting role by giving reporting entities clear guidelines on how they can apply market instruments to their accounting of their Scope 2 inventories. Providing guidance around how to voluntarily report the use of market instruments with greater granularity, such as hourly matching, physical deliverability, and additionality or bundling criteria, can provide additional information for these companies to make the most impactful decisions. However, if these stringent procurement methods become the *only way* entities can lower their greenhouse gas emissions through clean energy purchasing or are given preference over other methods, a majority of the voluntary market could choose to simply exit clean energy deals entirely.

During the revision process, uncertainty over how existing contracts will be treated threatens to dry up the market for corporate procurement. If companies are uncertain whether the RECs they

procure in PPAs will be able to be applied under the market-based method of Scope 2 accounting, they could curtail procurement activity until the guidance is clarified. RECs are the central reason most companies voluntarily procure clean energy. With the addition of hourly matching, physical deliverability requirements, and/or additional requirements, companies face the prospect that RECs received under these contracts, some with durations of up to 20 years, will be unusable in their Scope 2 reporting, which could make these contracts worthless.

To enable the continued participation of corporates in the marketplace during the revision process, the GHG Protocol should articulate now that market instruments received under contracts signed prior to the publication of the revised Scope 2 guidance will be able to continue to be reported on under existing guidance. Clarifying that the revised guidance is not intended to undo the applicability of RECs earned under existing contracts will ensure that corporate activity is not curtailed during this revision process.

For the final guidance, flexible market instruments that do *not* meet the strictest criteria (e.g., hourly matching, physical deliverability, and additionality or bundling criteria) should continue to be permitted in market-based Scope 2 accounting. Disincentivizing companies from purchasing clean energy by using these more flexible options could have the unintended consequence of putting the brakes on, rather than accelerating, ambitious actions.

Thank you for your consideration of our concerns. ACORE would be pleased to act as a resource for you as the revision process continues. Please do not hesitate to contact ACORE's Senior Vice President of Policy & Engagement, Lesley Hunter, at hunter@acore.org with any questions or if we can help provide more information.

Respectfully submitted,

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ⁱ BloombergNEF, “Corporate Power Purchase Agreements (PPAs),” last updated April 2025, <https://www.bnef.com/interactive-datasets/2d5d59acd9000022>.

ⁱⁱ Lesley Hunter and Jeffrey Gorham, “Bridging Demand and Financing: Voluntary Offtake in Clean Energy,” American Council on Renewable Energy, December 17, 2024, <https://acore.org/resources/bridging-demand-and-financing-voluntary-offtake-in-clean-energy/>.

ⁱⁱⁱ Greenhouse Gas Protocol, *Scope 2 Technical Working Group Meeting: Meeting #9*, March 5, 2025, <https://ghgprotocol.org/standards-development-and-governance-repository>.

^{iv} Barbose, Galen. *U.S. State Renewables Portfolio & Clean Electricity Standards: 2024 Status Update*. Lawrence Berkely National Laboratory. August 2024. <https://emp.lbl.gov/publications/us-state-renewables-portfolio-clean-0>.

^v Lesley Hunter and Jeffrey Gorham, “Bridging Demand and Financing: Voluntary Offtake in Clean Energy.”

^{vi} Energy + Environmental Economics (E3), *Consequential Impacts of Voluntary Clean Energy Procurement*, July 2024, https://www.ethree.com/wp-content/uploads/2024/07/E3_VoluntaryCorporateProcurement_HourlyEmissions_June-2024.pdf.

^{vii} Some system-level models do not fully account for the risks that clean energy projects face and may be overstating the level of deployment due to the low levelized cost of electricity (LCOE) for new wind and solar projects. However, investors do not make investment decisions based on the expected LCOE of a project alone; rather, they consider revenues the project is expected to generate over time and whether they can expect to see their desired return on investment. Long-term offtake agreements will continue to play a critical role in enabling investor confidence in clean energy projects.

^{viii} Lesley Hunter and Jeffrey Gorham, “Bridging Demand and Financing: Voluntary Offtake in Clean Energy.”

^{ix} Lesley Hunter, “Renewable Energy Certificates: The Currency of the Clean Energy Market,” American Council on Renewable Energy, January 16, 2024, <https://acore.org/resources/renewable-energy-certificates-the-currency-of-the-clean-energy-market/>.

^x David Montgomery, “Wind and solar power opponents make headway in state legislatures,” Yahoo News, April 3, 2025, <https://www.yahoo.com/news/wind-solar-power-opponents-headway-160517042.html>.

^{xi} Giacomo Bravaccini, *Displacing Emissions: The Role of Market Boundaries in Enhancing Voluntary Corporate Renewable Energy Impact*, Flexidao, February 12, 2024, <https://www.flexidao.com/resources/displacing-emissions-the-role-of-market-boundaries-in-enhancing-voluntary-corporate-renewable-energy-impact>.