GHG Protocol AMI Phase 1 White Paper RFI Response

ACORE is publicly sharing its full response to the Greenhouse Gas Protocol Actions and Market Instruments (AMI) Request for Information (RFI) that closed on June 15. This document includes questions for which ACORE submitted a response, excluding the demographic questions at the beginning of the survey. Text from the GHG Protocol's RFI is presented in italics. For multiple-choice or multiple-select questions, the responses that ACORE selected are underlined and bolded.

General

Question 16. To what extent do you support or oppose the introduction of a new "multi-statement GHG reporting structure" for GHG reports?

a. *Strongly support*
b. Support
c. *Neutral / don't know / insufficient information*
d. *Oppose*
e. *Strongly oppose*

Question 17. What benefits or challenges do you think that a multi-statement reporting structure could result in? (Please select all that apply)

a. *It fulfills business needs to credibly account for and report on actions and market instruments*
b. *It supports global climate mitigation*
c. It supports providers of market instruments with a clear framework for developing and communicating instrument claims related to corporate GHG accounting
d. *It enhances transparency on companies' GHG emissions and climate action for all stakeholders*
e. It increases comparability between companies
f. *It reduces comparability between companies*

g. **It increases reporting complexity**
h. *It requires additional resources*
i. *Other (Write-in)*

Question 18. What changes or improvements would you recommend to increase your level of support for a multi-statement GHG reporting structure to inform Phase 2 of the Actions and Market Instruments standard development work?

a. *Text response (responses are limited to 4,000 characters)*

ACORE supports the development of an optional multi-statement reporting structure. Corporate impact should not be reduced to a single metric, and establishing multiple ways for users to report their impact could provide stakeholders with a wider array of useful information. With smart implementation, this approach could balance integrity, impact, and feasibility. However, this is contingent on the outcomes of Phase 2 and resolution of remaining unanswered questions, as well as maintaining flexibility for reporting companies. While ACORE recognizes the benefits of guidance for reporting a comprehensive account of GHG emissions and related impacts, if made mandatory, the proposed approach risks increasing burden and complexity without delivering commensurate benefits.

In phase 2, the AMI TWG, in conjunction with the Scope 2 TWG, should consider how companies can report on various types of electricity-sector purchases. In response to the Scope 2 public consultation, ACORE recommended consideration of differentiated reporting language depending on the characteristics of the procurement.

One option to consider is the incorporation of hourly matched and deliverable EACs in the physical GHG inventory, with AMI TWG working through how physically traceable market instruments will be allowed in this statement.

Procurement has grown significantly in the eleven years since publication of the Scope 2 guidance, and targeted updates can improve integrity and provide stakeholders with better information streams about the energy usage and procurement of reporting entities, while preserving sufficient feasibility to drive impactful purchasing.

ACORE has shared significant concerns from our network of clean energy developers and investors about requiring hourly matching and deliverability in the market-based method. A core concern is that such granular restrictions could cause companies to curtail their procurement or exit the market entirely, limiting corporate demand at a time it has become a central driver for new renewable energy projects to attain other sources of financing. However, the current market-based method does not capture the range or impact of procurements.

In the current guidance, companies with different procurement strategies do not have a framework to communicate the specifics of their purchasing activity. For instance, if a company aimed to procure a specific percentage of their clean electricity through hourly-matched and deliverable RECs, they would lack the guidance to clearly report the specific characteristics of their clean energy procurement. Similarly, companies that center their procurement around signing high-impact vPPAs to maximize emissions reductions do not have a viable pathway to communicate the avoided emissions that stem from these purchasing decisions. **The aim of the new guidance should not be to exclude procurement strategies or make a value judgment on which is superior.** Rather the new guidance should enable companies to report on their procurements with greater levels of information, providing stakeholders with all the information they need to make informed assessments of the activities of these companies.

As the AMI TWG considers which market instruments enable physical traceability, allowing the optional reporting of hourly-matched and deliverable RECs into the physical GHG inventory and retaining the reporting of annual-matched RECs from within existing market boundaries for the market-based GHG inventory would enhance integrity and alleviate significant market concerns. This would be coupled with consequential metrics in the GHG impact statement that provide reasonable estimations of avoided emissions.

This approach would preserve the participation of companies that are newer to clean energy procurement or have more limited resources. These companies are the most at risk of exiting the market if requirements are too steep, which could limit the voluntary market to only the largest players.

Statement 2: Market-based GHG inventory statement

Question 22. To what extent do you think the Market-based GHG inventory statement should be included within a multi-statement GHG reporting structure?

> *"The market-based GHG inventory of emissions (and removals, if applicable) is complementary to the physical inventory. It allocates emissions associated with the reporting entity's activities from a common activity pool, based on qualified contractual arrangements for the purchase of goods and services (across scopes). It allows chain of custody models that establish contractual traceability from suppliers to the reporting company." – (White paper p. 5, further see p. 37)*
> *Please note that the statements described in the White Paper are provisional and will be further specified in Phase 2, among others regarding calculation methods, quality criteria and safeguards, etc. – but we are seeking feedback if it generally should be included.*

a. **It should be included**
b. *I am neutral about it*
c. *It should not be included*

Question 23. Please explain the rationale behind your previous response and provide any additional comments on the Market-based GHG inventory statement that should inform Phase 2 of the Actions and Market Instruments standard development work.

a. *Text response (responses are limited to 4,000 characters)*

ACORE supports the inclusion of a market-based GHG inventory statement.

In Phase 2, the AMI TWG should coordinate with the Scope 2 TWG on the implementation of electricity-specific considerations into the new multi-statement structure, with a specific focus on how to report on the

retirements of environmental attribute certificates (EACs) that meet hourly matching and deliverability criteria and EACs that do not.

As described in the White Paper, "Phase 2 will define boundaries between market instruments that enable physical traceability/connectivity and therefore can be accounted for in the physical GHG inventory and instruments that do not fulfill this requirement and can instead be eligible for statement 2, providing that eligibility criteria, quality criteria and safeguards are met."

In accordance with this work plan, ACORE recommends that the AMI TWG and the Scope 2 TWG consider allowing users to report EACs that meet hourly matching and deliverability criteria under the physical GHG inventory, while allowing annual-matched EACs under existing market boundaries to be reported under the market-based GHG inventory. This solution would address significant market concerns that the additional requirements in the Scope 2 proposal would conflate the location-based and market-based methods and create significant barriers to procurement.

With this approach, companies would be empowered to procure in multiple ways. One company that wished to procure solely in line with the hourly-matched and deliverable framework (and had the resources to do so) could report reduced emissions in the physical GHG inventory. Another company that aimed to support projects in more fossil-heavy regions could report the higher avoided emissions that stemmed from long-term contracts in those regions in the market-based GHG inventory and the GHG impact statement. Companies would also have the reporting framework necessary to set goals that combine these strategies. For instance, a company could aim to match 80% of its consumption with hourly, local RECs, while also setting an avoided emissions target, assessing that the dollars spent matching the final 20% could mitigate emissions more efficiently if spent in other geographies.

This approach would build on the work of the Scope 2 TWG, leveraging its efforts to define criteria that would approximate a physical relationship between procurement and usage. The Scope 2 Consultation Paper proposed to change the purpose of the market-based method to include "estimating emissions based on physical and contractual relationships to electricity supply." Meanwhile, the AMI RFI states that "In the physical inventory,

emissions (and removals, if applicable) from a common activity pool are allocated to end users based on physical relationships and physical flows of goods and services. It allows chain of custody models that establish physical traceability to the reporting company. It also accounts for average emissions from a shared pool if the reporting company's physical traceability does not exceed that shared pool."

This option would also provide GHG Protocol the opportunity to draft differentiated language that reporters can use based on the qualities of the instruments they procure. In conjunction with information in the GHG impact statement, the reports would provide the information needed to accurately assess corporate emissions inventories and emissions reduction activities. By following this approach, the GHG Protocol could address concerns that stakeholders are misled by claims made by its users.

However, general stakeholder support for adopting a market-based inventory statement will likely depend on how Phase 2 addresses outstanding questions, including open definitions, optional vs. mandatory status, double counting, and credibility and consistency challenges.

Statement 3: GHG Impact statement

Question 24. To what extent do you think the GHG impact statement should be included within a multi-statement GHG reporting structure?

> *"The GHG impact statement provides a dedicated, structured statement for reporting on the impacts of actions taken by the reporting company inside and outside its value chain (e.g., emissions avoided, reduced, or removed). It applies to actions such as projects, interventions, investments, production/sale of products, purchase/consumption of products. This statement uses consequential accounting methods that aim to quantify the global change in GHGs in the atmosphere resulting from a given action." – (White paper p. 6, further see p. 39).*
>
> *Please note that the statements described in the White Paper are provisional and will be further specified in Phase 2, among others*

regarding calculation methods, quality criteria and safeguards, etc. – but we are seeking feedback if it generally should be included.

a. <u>It should be included</u>
b. I am neutral about it
c. It should not be included

<u>Question 29.</u> Please explain the rationale behind your responses in this section and provide any additional comments on the GHG impact statement that should inform Phase 2 of the Actions and Market Instruments standard development work.
a. Text response (responses are limited to 4,000 characters)

Guidance for impact accounting by the GHG Protocol could be a positive step towards enabling recognition of a wider range of impactful procurements and could therefore incentivize additional voluntary climate action. For example, energy storage does not fit neatly into the current attributional accounting framework. Establishing a pathway for corporates to report on the emissions reductions associated with their procurement of battery energy storage systems is an important step for bolstering impact. Creating clear guidance for the GHG Impact Statement could also enable target-setting around impact metrics, enabling companies to seek greater ambition around their emissions reduction goals.

However, the GHG impact statement should be made optional, particularly given the adoption of GHG Protocol guidance into regulations internationally. With some jurisdictions explicitly requiring reporting aligned with the GHG Protocol, requiring this statement could increase reporting burdens while simultaneously increasing legal and reputational risk associated with regulatory reporting of information facing persistent challenges with measurability and assurability.

Furthermore, Phase 2 should build on the work that the Scope 2 TWG Consequential Subgroup began to define additionality, with a focus on creating clear and achievable pathways for voluntary purchasers to prove the additionality of their projects. There is no one-size-fits all approach to additionality that would be appropriate for all interventions. ACORE suggests a technology/intervention-specific approach to additionality and encourages

the AMI TWG to work closely with participants in the electricity sector across geographies to determine which tests can be feasible. Ultimately, the impact of the GHG impact statement will be closely linked to feasibility. While additionality tests are important guardrails for consequential accounting, if they are designed in ways that are excessively difficult or costly to comply with, voluntary procurement would likely be lower.

ACORE supports the establishment of a clear pathway for companies to quantify the avoided emissions impacts of their long-term clean energy offtake contracts. Projects of many varieties, including more established technologies, may need a long-term commitment from a credit-worthy offtaker to attain financing. One of the most impactful actions corporates can take is to leverage their creditworthiness and capital to mitigate the revenue risk present in clean electricity projects. While clean electricity projects are increasingly cost-competitive, financiers make investment decisions on whether they expect project revenues to cover project obligations, rather than whether a project generates cheaper electricity on a levelized basis. Thus, while merchant solar and wind projects may be providing cheaper electricity for the ratepayer, the actual return that the project receives will be dependent on the marginal clearing price in the wholesale market. With a long-term power purchase agreement in place, tax equity and debt providers can expect consistent revenue generation and are able to offer viable terms that enable project construction.

Given these project finance realities, establishing additionality tests that impactful PPAs can feasibly clear would enable further clean energy buildout and lead to a reduction in GHG emissions.