



# Greenhouse Gas Protocol: *Survey on Need and Scope for Updates or Additional Guidance*

## *RECS' answers to key questions in the scope 2 guidance survey*

### About RECS energy certificate association

For over 20 years RECS has been committed fighting climate change and accelerating the energy transition by supporting the purchase of renewable energy through robust, reliable, transparent markets. Energy Attribute Certificates (EACs) are the tools we use to unlock this vision. At RECS we support the development of both existing and new EAC markets around the world. We engage with a wide range of stakeholders, including governments, market participants and consumers, and provide the knowledge and information they need to boost consumer demand for renewable energy. RECS works to provide the knowledge, motivation, and confidence needed to buy 100% renewable energy. More information can be found at [www.recs.org](http://www.recs.org).

### About the Greenhouse Gas Protocol Surveys

The GHG Protocol Corporate Accounting and Reporting Standard sets out how companies and other organizations should measure and report on their greenhouse gas (GHG) emissions. The Greenhouse Gas Protocol is a crucial tool for corporates working to cut their emissions and for assessing the impact of their actions. In launching a series of surveys on the need and scope for updates or additional guidance, the GHG Protocol team states that it is seeking to ensure that guidance remains relevant.

Developed in collaboration with RECS members from all major EAC markets (GOs, North American RECS, and IRECs) *this paper provides RECS' answers to key questions in the survey on scope 2 guidance. These answers are transposed from RECS' general position on the GHGP review, as well as RECS' response to criticism of the market-based method<sup>1</sup>.*

### Key questions and RECS' answers

RECS has identified key questions in the GHGP survey on the need and scope for updates or additional guidance in the scope 2 guidance – set out below with RECS' answers. RECS

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<sup>1</sup> <https://recs.org/news/recs-position-on-the-greenhouse-gas-protocol-review/>

invites stakeholders to draw on these answers when submitting their own responses to the survey.

Question 12:

How satisfied are you with the current GHG Protocol Scope 2 Guidance?

1. Very satisfied
2. Somewhat satisfied
3. Neither satisfied nor dissatisfied
4. Somewhat dissatisfied
5. Very dissatisfied
6. Not applicable (I don't use it)

Question 13:

Do you think there is a need to update the GHG Protocol Scope 2 Guidance?

- No (no update needed)
- Minor update (limited updates, clarifications, additional guidance, or refresh needed)
- Major update (major changes or revisions needed)
- No opinion/Not sure

Question 14: (4,000 characters allowed)

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

The GHG Protocol's scope 2 guidance was only published after 4 years of expert discussion and negotiation. RECS insists that any changes to the guidance on scope 2 emissions respects this hard-won consensus. Given the strength and importance of the current guidance, RECS only sees scope for minor updates that maintain and enhance its fundamental basis.

For example, it would help to simplify the current text and provide greater clarity and focus on its core principles. This will improve its readability and make it easier for people to understand its essence. Clarity and understanding can be further improved by updating case-studies and providing recent practical examples (the current text uses examples from 2012 and 2013 that have lost applicability and relevance).

The scope 2 guidance should also be updated to recognise that there are a several important drawbacks to the location-based method for calculating and reporting scope 2 emissions. First, it is inherently imprecise. Second, it allows companies to make emissions reductions claims that they did little or nothing to support. Third, it provides no individual incentive to act. Forth, it allows for double counting of the renewable attributes of a given unit of energy. Therefore, where a market-based option is available, it should take precedence over location-based accounting. Any use of the location-based method should take these limitations into account and be treated accordingly.

The current guidance's Chapter 11, titled "How Companies Can Drive Electricity Supply Changes with the Market-Based Method", should be updated. RECS supports giving Chapter 11 more weight and visibility. A well-known example of rules to encourage impactful renewable energy purchasing is the CDP/Climate Group/RE100 paper on "Business leadership in the transition to renewable electricity" (<https://www.there100.org/sites/re100/files/2020-09/RE100%20Leadership%20report.pdf>) RECS provides guidance to market participants on maximising the reliability and impact of buying renewable energy (<https://recs.org/news/recs-international-publishes-guidance-for-market-participants/>).

The review of the guidance on scope 2 emissions should recognise and reflect the fact that many stakeholders are still learning about this topic and that EAC markets are just starting to reach maturity. Europe, for example, has over 20 years developed a multi-billion euro GO market that provides important additional income to renewable energy producers and encourages the development of more renewable energy generation capacity. The EU GO market therefore provides billions of Euros of income to renewable energy producers and/or State budgets. For example, the French state received 126 M€ in 2022 from GO auctions. New biomethane plants are also being developed in Europe without subsidies, thanks to the value of EACs. The benefits of markets may have been a long time coming, but now they are being felt it would be foolish to deprive ourselves of them. Given the urgency of the climate challenge, RECS sees no reason to turn our back on any tool that allows consumers to choose renewables and can also provide an important source of funding for the energy transition.

As stakeholders continue to learn about renewable energy purchasing covering all energy carriers, including power and gases such as biomethane and renewable hydrogen, and their respective scope 2 emissions, their access to these vital markets should not be curtailed. While the GHGP review logically focuses on corporates, the role and impact of smaller consumers should not be overlooked. There is no energy transition without engagement from small and medium sized companies. If the measuring and reporting of scope 2 emissions becomes too burdensome for such participants, for example by only recognising long-term PPAs as legitimate means of buying renewable energy, they will likely be lost from the process.

#### Question 15:

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

- No (no update needed)
- Minor update (limited updates, clarifications, additional guidance, or refresh needed)
- Major update (major changes or revisions needed)
- No opinion/Not sure

#### Question 16: (4,000 characters allowed)

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

Because location-based reporting reflects the average emissions intensity of the local grids on which energy consumption occurs, it is inherently imprecise. For example, if a consumer uses electricity at night or when there is no wind they can still claim the average emissions factor for the total grid mix regardless of what technologies were producing power at the time they were consuming it. Furthermore, there can be many interpretations of what the grid mix is because the Scope 2 Guidance does not give clear boundaries of the territorial unit to consider when using the location-based method. There is a clear incentive for corporates to use the most favourable grid mix available to them regardless of how accurately it reflects their consumption. Due to this imprecise use of grid mix emissions factors, location-based accounting also has the drawback that corporates can account for emissions reductions at the grid level that are unrelated to their own procurement practices and investments. In addition, the location-based method reduces the incentive of organisations to act individually to support renewables through its procurement policies. Under this method a corporate might be making the most impactful purchases of renewable energy possible, but they would only benefit in the same way as all other electricity consumers on the same grid.

Finally, allowing the use of the location-based method at the same time as the market-based method can quickly lead to institutionalised double counting. Under the dual-reporting regime, all companies should be reporting their scope 2 emissions calculated using both the location-based and the market-based accounting methods. This means that the same attributes are being counted in two different ways and are thereby being counted twice. For example, if 'Company A' is reporting zero scope 2 emissions because it covered all of its power consumption using French GOs, while 'Company B' is reporting very low scope two emissions because it consumed power in France, which is almost 100% renewable (hydro), without buying the related GOs, then double counting of some or all of those attributes has occurred. RECS understands from its members that this double-counting is made worse by corporates often choosing whether to calculate their scope 2 emissions using either the market-based or location-based method, rather than using both. This makes the double counting more difficult to detect because any comparison of the two accounting methods becomes impossible.

No human-developed system is perfect, including the measuring and reporting of scope 2 emissions via either the market-based or location-based methods. However, market-based reporting is proving its worth. As EAC markets mature and bring supply and demand into equilibrium, market-based mechanisms that support renewable energy clearly support the overall energy transition. Location-based reporting on the other hand suffers from a number of significant drawbacks that should be considered in any revisions of the GHG Protocol and its guidance on scope 2 emissions reporting.

The guidance should, therefore, provide much clearer guidance on the territorial boundaries of a consumer's grid and the related emissions factors that can therefore be reported. RECS believes that the grid emissions factor should encompass the full interconnected grid (e.g., all interconnected European internal energy market countries) from which a consumer's power could come. Doing this would prevent cherry-picking of a definition of 'location' that best suits the reporting entity's needs and should be instituted, especially if

there is no market for energy attribute certificates and thereby no possibility to use the market-based method.

Question 17:

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

- No (no update needed)
- Minor update (limited updates, clarifications, additional guidance, or refresh needed)
- Major update (major changes or revisions needed)
- No opinion/Not sure

Question 18: (4,000 characters allowed)

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

In order to further strengthen renewable energy markets and scope 2 emissions reporting using the market-based method, RECS does support the ongoing development of EAC schemes to make them as efficient and impactful as possible. In RECS' view, the next step for advanced EAC schemes like the European guarantee of origin system is total market transparency through full disclosure and GHG values on EACs.

EACs are not inherently limited to renewables and can document the attributes of any type of energy. Where this is done, it is called 'full disclosure' and can bring total transparency to energy markets. RECS strongly supports the use of full disclosure because it requires all power consumers to prove the origin of all the power they consume – ensuring a level playing field between renewable and non-renewable electricity sources. RECS also asserts that if all end-users have to actively purchase energy attributes and prove the origin of their energy consumption, end-users will be more aware of where their energy comes from – encouraging them to buy renewables.

Legislators and regulators should see clear benefits in full disclosure schemes. They provide total transparency of the energy being produced and consumed, MWh by MWh. This clarity can enhance the implementation of energy policies and the tracking of targets. As stated above, full disclosure should also facilitate more conscientious energy buying, and provide more motivation to buy renewable energy over fossil fuels. This should add to the income for renewable energy producers allowing public authorities to redirect (not reduce) their renewable energy support budgets to emerging technologies and/or current technologies in areas where their development is more economically or practically challenging.

Importantly, as regards scope 2 emissions reporting, if every unit of energy consumed has to be certified, then every consumer knows from where the power they have paid for comes. If every EAC also carried a GHG value stating the grams of emissions for the MWh of energy, then all consumers would know the emissions value of the energy they have bought. This would remove any lack of clarity over the ownership of every unit of energy, or the responsibility for the emissions that are attributed to that energy.

EAC markets are the only way for energy users to purchase a specific energy product and to make claims based on what they have bought. As such, they must be recognised and respected as the cornerstone of corporate scope 2 reporting. This reporting allows stakeholders to scrutinise corporate energy procurement practices, and, if needed, to call on those corporates to make more impactful purchases. The more global EAC schemes are standardised and harmonised, the more efficient and effective they can become at supporting the energy transition and the easier they will be for all stakeholders to use and understand.

Question 19:

Do you think there is a need for updates related to the 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 (limited updates, clarifications, additional guidance, or refresh needed)
- Major update (major changes or revisions needed)
- No opinion/Not sure

Question 20: (4,000 characters allowed)

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

No human-developed system is perfect, including the measuring and reporting of scope 2 emissions via either the market-based or location-based methods. However, market-based reporting is proving its worth. As EAC markets mature and bring supply and demand into equilibrium, market-based mechanisms that support renewable energy clearly support the overall energy transition. Location-based reporting on the other hand suffers from a number of significant drawbacks that should be considered in any revisions of the GHG Protocol and its guidance on scope 2 emissions reporting.

For example, the protocol and guidance could provide much clearer guidance on the territorial boundaries of a consumer's grid and the related emissions factors that can therefore be reported. RECS believes that the grid emissions factor should encompass the full interconnected grid (e.g., all interconnected European internal energy market countries) from which a consumer's power could come. Doing this would prevent cherry-picking of a definition of 'location' that best suits the reporting entity's needs and should be instituted, especially if there is no market for energy attribute certificates and thereby no possibility to use the market-based method. However, where a renewable energy market based on EACs is in place, this measure would not address the problem of double counting of attributes described above.

By putting market-based reporting and location-based reporting on an equal footing the GHG protocol and guidance are institutionalising the double counting of renewable energy attributes. Two different methods of counting attributes logically lead to attributes being counted twice. Therefore, in countries or regions where a market-based energy attribute certificate system is in place, RECS makes the following:

1. The measuring and reporting of attributes using the location-based method should only be done to provide indicative information on the attributes of total energy generation in that location. It should not be used to report a corporate's scope 2 GHG emissions under the protocol.
2. If a corporate is not actively buying EACs to cover their energy consumption, they should report the residual mix for that location. In some locations this may require the development of residual mix calculations. While Europe has a robust and long-standing residual mix, other countries with renewable energy markets are still developing their residual mix methodologies, including some I-REC market countries.

In order to have an accurate understanding of a corporate's scope 2 emissions and to avoid any double counting of renewable energy attributes, RECS supports downgrading the use of location-based accounting wherever an EAC market is in place.