



GHG Protocol Update

Climate Leaders Partner Meeting

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World Business Council for
Sustainable Development



World Resources Institute





Presentation structure

- 1. Revised Corporate Standard**
- 2. Draft Project Quantification Standard**
- 3. Other news**



Corporate Standard: what's in it?

Standards

- Principles
- Organizational Boundaries
- Operational Boundaries
- Historic Datum
- Reporting GHG emissions



Guidance

- Business goals and inventory design
- Accounting for GHG reduction
- Identifying GHG sources
- Managing inventory quality
- Verification of GHG emissions
- Setting a GHG target

Calculation tools

- Web-based, user-friendly, step-by-step guidance
- Build on IPCC methodologies
- Sector-specific tools developed in industry-led efforts (e.g. cement, pulp & paper, aluminum)

www.ghgprotocol.org



Changes to the 1st Edition

Setting Organizational Boundaries

- Companies can now choose between equity or control for reporting purposes
- Two criteria added to the definition of ‘control’
 - Financial: Rights to majority of benefits/retains majority of risk
 - Operational: Authority to introduce and implement operational policy
- Quantitative threshold removed for equity ownership



Changes to the 1st Edition

Setting Operational Boundaries

- **Leases, outsourcing and franchises:**
Apply chosen equity share or control approach

| | |
|---------------------|---|
| Chosen approach: | Determines whether emissions from leased assets are direct or indirect |
| Equity Share | If the asset is <u>treated as wholly owned</u> and is <u>recorded as such</u> on the balance sheet (e.g. a financial/capital lease) report in scope 1 |
| Financial Control | If the asset is <u>treated as wholly owned</u> and is <u>recorded as such</u> on the balance sheet (e.g. a financial/capital lease) report in scope 1 |
| Operational Control | If the asset is <u>operated in accordance with the lessee's operational policies</u> |

If emissions are not included in scope 1 or 2 according to these standards, they may be included in scope 3



Changes to the 1st Edition

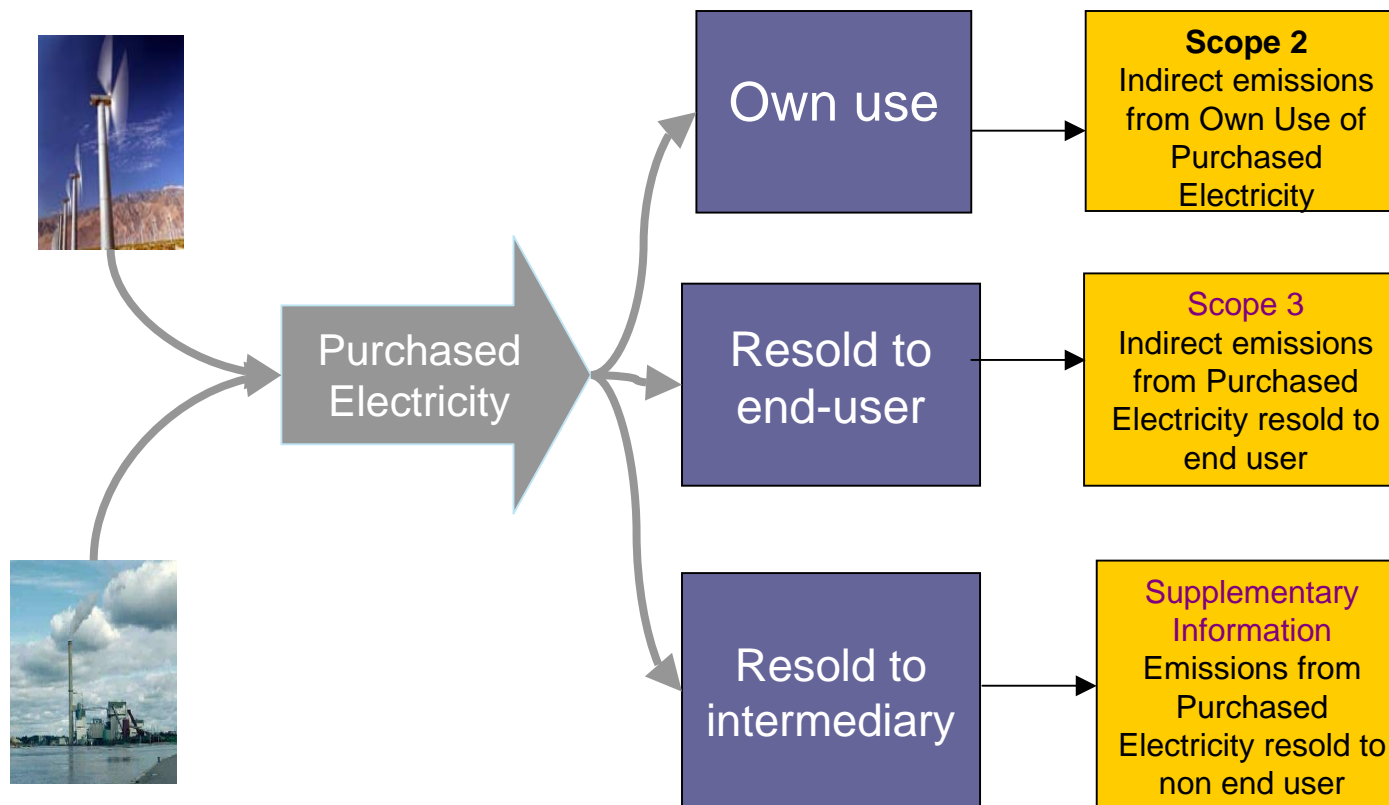
Setting Operational Boundaries

- Scope 2:**
- “consumption” added to definition to avoid double counting (within scope 2)
 - Emissions associated with T&D loses: expanded guidance
 - Entity that owns/controls T&D equipment reports in Scope 2
 - Reflects where energy is actually consumed
 - Simplifies calculation by using common emission factors
- Scope 3:**
- End user reports in Scope 3
 - additional guidance and examples



Changes to the 1st Edition

Setting Operational Boundaries – purchased electricity





Revisions to the 1st Edition

Inventory Quality

- **Defines an inventory quality program framework, including:**
 - how to implement a quality management plan
 - practical measures for checking quality, establishing feedback cycles, and documenting information

- **Introduces concept of uncertainty**
 - Understanding and assessing uncertainty can improve inventory quality by focusing improvement efforts
 - Common misunderstanding: data uncertainty prevents accurate comparison over time - **uncertainty can often be ignored** when comparing emissions over time



Revisions to the 1st Edition

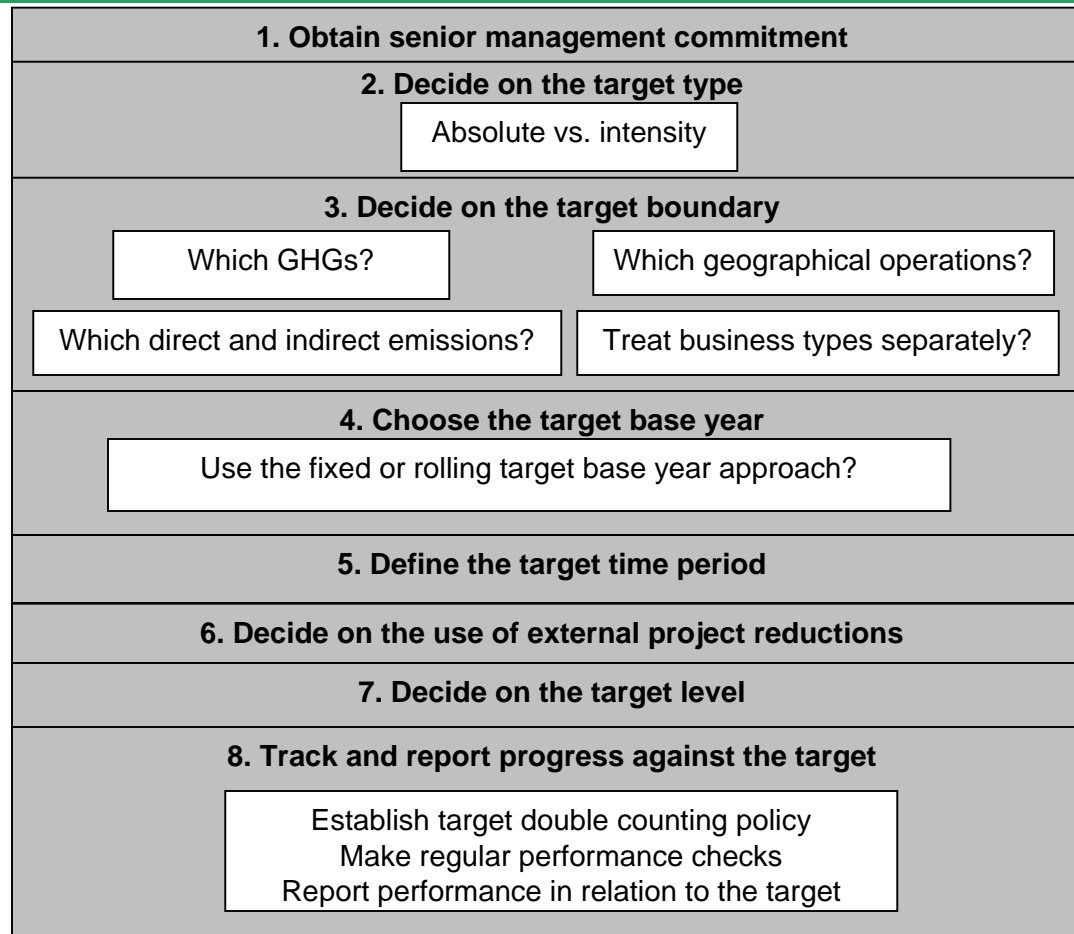
Accounting for GHG Reductions

- **Internal project reductions usually captured in inventory**
- **External project reductions - calculated separately**
- **Accounting for Green Power**
 - **In** consumer's regional grid: changes scopes 2 emissions
 - **Outside** consumer's regional grid: Account for "Renewable Energy Certificates" like external project reductions
 - Double counting of reductions will persist until emission factor calculations "back out" green power and REC contracts



Changes to the 1st Edition

New Chapter: Voluntary GHG targets





Summary - revised corporate standard

- ❖ To be published February, now in final editing and design stage
- ❖ The water is cleaner, and the baby is still in the bath!
- ❖ Main changes to the first edition
 - ❖ More verification-friendly language (“shall”), which also aims to increase clarity as to what is required to produce a report “in accordance with” GHG Protocol (this does not affect the structure of the document)
 - ❖ Increased flexibility in choosing Organizational Boundaries
 - ❖ More specificity for indirect emissions from purchased electricity (still a required category)
 - ❖ Improved guidance
 - ❖ New case studies reflect how accounting practice has advanced in the meantime
 - ❖ New guidance chapter: Setting a GHG target
 - ❖ New Appendix: Issue piece for companies wishing to account for sequestered carbon



Changes to the 1st Edition

Introduction of “shall and “should” terminology

- Distinguishes between required and optional elements
- Improves consistency and credibility
- Facilitates optional third-part verification



2. Draft Project Quantification Standard

- I. Introduction to GHG accounting
- II. Quantification steps
- III. Baseline procedures
- IV. Annexes
- V. Glossary
- VI. References
- VII. List of Contributors

Sector- specific guidance - to complement
framework standard



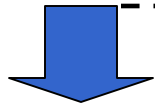
Quantification Steps

1. Describe the project
2. Check Project Eligibility
3. Initial Additionality Screen
4. Select a baseline for each primary effect
5. Identify and assess secondary effects
6. Calculate reduction and classify ownership
7. Establish monitoring plan

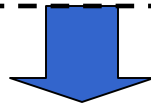


Three alternative baseline procedures

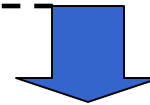
Three Procedures



Project Specific
Baseline



Performance
Standard



Retrofit



Addressing Additionality: a two-fold approach

1. Regulatory Additionality Screen

Integrated into baseline setting

2. Project specific → Barriers →

Performance Standard → Stringency level

Retrofits → before end-of-life

Additional



Project Quantification Standard - Next Steps

1. Complete road test assessments (30+)
2. Stakeholder and road test meetings - January 04
3. Form Revision Management Team
4. WBCSD synthesize feedback and recommendation
5. Revision Management Team meeting
6. Redrafting
7. Revision Management Team approval
8. First edition published



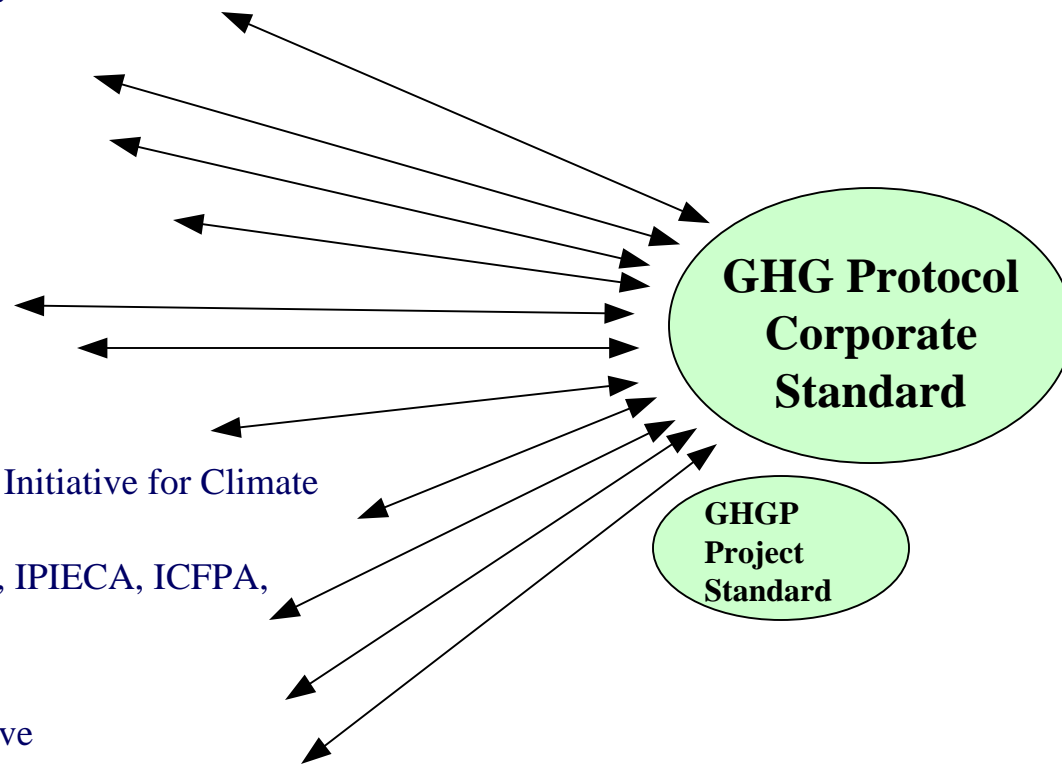
3. Other News

- Corporate Standard translated into French, Japanese, & Chinese; Spanish and Portuguese forthcoming
- New CHP, HFC and uncertainty tools; work to begin on electricity sector tool; improvements to existing tools
- Capacity building in developing countries: India, S.Africa, Philippines, & Mexico



GHG Protocol impact on GHG accounting practice

- California Climate Action Registry
- French REGES Protocol
- Carbon Disclosure Project
- Chicago Climate Exchange
- Dow Jones Sustainability Index
- EU- ETS
- GRI
- METI, Japan
- Northeast Registry (NESCAUM)
- Respect Europe Business Leaders Initiative for Climate Change (BLICC)
- Industry Associations (Aluminum, IPIECA, ICFPA, Cement, Iron and Steel)
- UK-ETS
- U.S. EPA Climate Leaders Initiative
- World Wildlife Fund Climate Savers
- World Economic Forum Global GHG Register
- ISO 14064





Adoption by businesses (those that we know of...)

Automobile Manufacturers

Ford Motor Company, USA
Volkswagen, Germany

Cement

Cemex, Mexico
Cimpor, Brazil
Heidelberg Cement, Germany
Holcim, USA (and worldwide
Holcim facilities)
Italcementi, Italy
Lafarge, France and North
America
RMC, UK
St. Lawrence Cement Inc.,
Canada
Siam Cement, Thailand
Taiheiyo, Japan
Votorantim, Brazil

Consumer Goods Manufacturers

Bank of America
Body Shop, UK
Cargill, USA
Eastman Kodak, USA
Fetzer Vineyards, USA

IBM, USA
IKEA International, Sweden
Johnson & Johnson, USA
Miller Brewing Company, USA
Nike, USA
Norm Thompson Outfitters, USA
Pfizer Inc., USA
Raytheon, USA
SC Johnson, USA
Sony Electronics, Japan
Starbucks Coffee, USA
Staples Inc., USA
Sun Microsystems
Target Corporation, USA
Unilever HPC, USA
United Technologies
Corporation, USA

Energy Services

Birka Energi, Sweden
Cinergy, USA
Edison Mission Energy, USA
ENDESA, Spain
Exelon Corporation, USA
FPL Group, Inc., USA
General Electric, USA
Green Mountain Energy, USA
Kansai Electric Power, Japan
Mirant, USA

N.V. Nuon Renewable Energy,
Netherlands
PSEG, USA
Seattle City Light, USA
Tokyo Gas, Japan
Wisconsin Electric, USA
We Energies, USA

Oil and Gas

BP, USA
Norsk Hydro, Norway
Shell Canada, Canada
Suncor, USA

Industrial Manufacturers/ Mining

Air Products and Chemicals, Inc.
Alcan Aluminum Corporation, USA
Alcoa, USA
Ball Corporation, USA
Baltimore Aircoil, USA
Baxter International, USA
Bethlehem Steel Corporation, USA
CODELCO, Chile
DuPont, Inc.
Interface, Inc., USA
International Paper, USA
ITC Inc., India

Lockheed Martin Corporation, USA
Philips & Yaming, China
Simplex Paper & Pulp, India
STMicroelectronics, Switzerland
StoraEnso, Finland
Tata Steel, India
United States Steel Corporation

Non-Government Organizations

World Business Council for
Sustainable Development, Switzerland
World Resources Institute, USA

Services

500 PPM GmbH, Germany
AstraZeneca, UK
Casella Waste Systems, Inc., USA
DHL, USA
European Bank for Reconstruction &
Development
PE Europe, Germany
PowerComm, Canada
Price Waterhouse Coopers, New
Zealand
Verizon Communications, USA



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Thank You!

**Comments
&
Questions**





Revising the 1st Edition

Tracking Emissions Over Time

Base Years

- **Choose year with verifiable data**
- **Adjustments triggered by:**
 - Structural change (e.g. mergers, acquisitions, divestments, insourcing, outsourcing, **not** organic growth/decline)
 - Changes in methodology or accuracy improvements
- **Timing:**
 - Mid-year changes: Adjust to include entire year's emissions to avoid later recalculation.