Tracking Progress Towards the GHG Reduction Goal

As described in Chapter 11, Climate Leaders Partners establish corporate-wide GHG reduction goals. Tracking progress towards that goal entails comparing current corporate-wide emissions to base year emissions. The final Climate Leaders goal evaluation is a comparison of corporate-wide GHG emissions in the goal year vs. the base year emissions. Climate Leaders goal accounting does not set requirements for interim years. While emissions increases may occur at individual sources, ideally a Partner's overall emissions profile should be reduced over time in a clearly verifiable progression toward the reduction goal. GHG reductions can be measured by comparing absolute changes in the company's overall GHG emissions over time, or by developing ratio indicators to track relative performance.

Overview

Focusing on the overall company GHG impact has the advantage of helping companies more effectively manage their aggregate GHG risks and opportunities. It also helps guide the transfer of resources to activities resulting in the most effective GHG emission savings.

This chapter provides guidance on tracking progress toward the reduction goal. *The Climate Leaders Partner's goal should be achieved by reducing overall corporate emissions or emissions rate; and may also include successful completion of emission reduction "offset" projects.*

Corporate-Wide GHG Emissions

Climate Leaders recommends calculating GHG emissions using a bottom-up approach. This involves calculating emissions at the level of an individual source and then rolling this up via facilities to the corporate level. This approach enables companies to scrutinize their GHG emissions information at different scales, thereby allowing enhanced understanding of their GHG emissions profile. This approach best allows companies to isolate, evaluate, and prioritize emission saving opportunities. *Progress towards a goal* can then be measured by comparing emissions over time on a facility-specific, nationwide or even global basis. *The Climate Leaders program requires comparison of summed corporate-wide emissions from all U.S. operations at a minimum.*

Offsets

In some cases, companies may find that they can obtain lower-cost emission reductions by investing in offset projects. Offsets are reductions of direct or indirect emissions that occur outside the boundaries of the reporting company and occur as a result of projects that either reduce GHG emissions or through activities that promote carbon sequestration. Some example offset projects might include:

Example 1: *Coal mine methane emission reductions: offset investment by a company other than the coal mine operator or owner.*

Example 2: *Replacing diesel fuel-fired generator with a photovoltaic system: offset investment by a company*

other than the solar system manufacturer or distributor, or the electricity generator or user.

Example 3: Replacement of old HVAC systems with more energy-efficient systems in schools: offset investment by an entity other than the school system

Offsets may be generated through a variety of activities such as energy efficiency, low carbon no carbon energy projects, process emission reductions, or carbon sequestration activities. Fundamentally, offsets are generated by investing in projects that result in verifiable emissions reductions or in removing GHGs from the atmosphere (e.g., enhancing carbon sinks).

Appropriate supporting information addressing the validity and credibility of purchased offsets must be included. Key elements in quantifying and reporting emissions from offset projects include:

- *Determining the project temporal, spatial, and operational boundaries.*
- *Establishing the baseline. The baseline emissions scenario provides a reference point for what emissions would have been without the project intervention.*
- *Confirming project environmental additionality and regulatory surplus: Offset activities must result in GHG reductions that are additional to any that would otherwise occur in the absence of the offset project activity. Activities must be surplus to those that are required by any type of regulation (GHG, criteria pollutants, or other).*
- *Examining project leakage. Leakage relates to increases or decreases of GHG emissions elsewhere as a result of a project.*
- *Permanence, saturation, and duration in carbon sequestration projects.*
- *Monitoring and verification guidelines.*

Climate Leaders allows Partners to invest in offset projects as a way to meet their GHG reduction goal. Of paramount importance is the delineation of offset project reductions with a robust, valid, and quantifiable accounting system that provides credible and verifiable data. The WRI and WBCSD are currently co-convening an effort to develop a guidance module for accounting for project-based emission reductions that is robust and consistent with the potential financial value and integrity of any commodity that may be attached to reductions. Climate Leaders will provide offset guidance consistent with that evolving standard to the extent practicable. Climate Leader offset guidance is currently under development.

Accounting for Emissions from Electricity/Steam Sales

Non-utility Partners may sell a portion of their own generated electricity and/or steam output to another company directly or to the grid. The emissions from these energy sales are not included when calculating a Partner's progress towards their Climate Leader's normalized GHG reduction goal. Partners first include the emissions associated with energy production as direct emissions in their inventory. They then calculate the emissions associated with only the sales of electricity and/or steam and report them separately as absolute emissions (as per the Climate Leaders guidance for Indirect Emissions from Purchases/Sales of Electricity and Steam). These emissions are normalized using the Partner's normalization factor and listed as an emission reduction. These emission reductions from sold electricity and/or steam are not netted with total direct emissions but are accounted for when evaluating a Partners progress towards meeting their reduction goal and can be use to meet a normalized reduction target.