

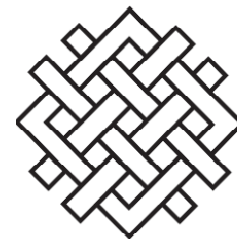
New Greenhouse Gas Protocol Standards Supply Chain Accounting & Reporting

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WORLD
RESOURCES
INSTITUTE



World Business Council for
Sustainable Development

Presentation Outline

1. Overview of GHG Protocol
2. New GHG Protocol Standards
3. Key Issues and Challenges for Scope 3 Standard
4. Process, Timeline and How to Participate

Greenhouse Gas Protocol Initiative

- Convened in 1998 by WRI and WBCSD
- The most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gases

The screenshot shows the homepage of the Greenhouse Gas Protocol Initiative. At the top, there is a logo with a bar chart and a globe, followed by the text "The Greenhouse Gas Protocol Initiative" and the tagline "The foundation for green and sustainable climate strategies". Below this is a navigation menu with tabs for "About", "Programs and Registries", "Standards", "Calculation Tools", "Newsletter", and "Media". A search bar is located in the top right corner.

The main content area features a large introductory paragraph: "The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. The GHG Protocol, a decade-long partnership between the [World Resources Institute](#) and the [World Business Council for Sustainable Development](#), is working with businesses, governments, and environmental groups around the world to build a new generation of credible and effective programs for tackling climate change."

Below this, there are two paragraphs: "It provides the accounting framework for nearly every GHG standard and program in the world - from the International Standards Organization to The Climate Registry - as well as hundreds of GHG inventories prepared by individual companies." and "The GHG Protocol also offers developing countries an internationally accepted management tool to help their businesses to compete in the global marketplace and their governments to make informed decisions about climate change."

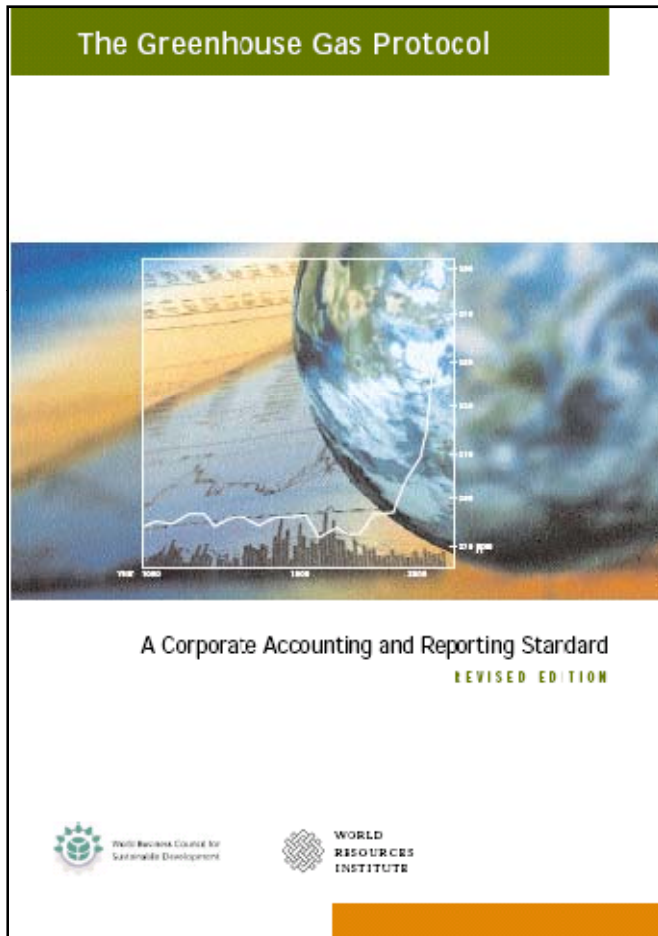
On the right side, there is a "WHAT'S NEW" section with a photo of two men and the text "Chinese cement companies accounting for CO2 emissions" with a "Read More" link. Below that is a sign-up form for a quarterly newsletter with an "e-mail address" field and a "GO" button.

The "FEATURED CONTENT" section has two items: "ACCOUNTING MODULES" with a link to "Click here for the GHG Protocol Initiative's two flagship publications, 'A Corporate Accounting and Reporting Standard' (2004) and 'The GHG Protocol for Project Accounting' (2005). These two" and "REVISED, UPDATED CALCULATION TOOLS NOW AVAILABLE" with a link to "The GHG Protocol has updated its suite of calculation tools with the most recent emission factors and calculation methodologies, according to the latest technical guidance".

At the bottom right, there are logos for the "World Business Council for Sustainable Development" and the "World Resources Institute", along with an "ACKNOWLEDGEMENTS" button.

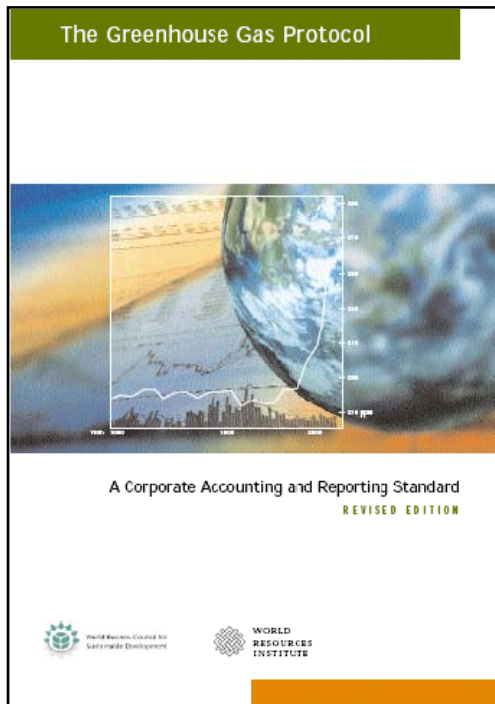
GHGProtocol.org

Programs Based on GHG Protocol



- Carbon Disclosure Project (CDP)
- The Climate Registry
- California Climate Action Registry
- Chicago Climate Exchange
- Dow Jones Sustainability Index
- EU Emissions Trading Scheme
- French REGES Protocol
- Global Reporting Initiative
- METI, Japan
- Mexico GHG Program
- Respect Europe Business Leaders Initiative for Climate Change (BLICC)
- International Trade Associations (Aluminum, IPIECA, ICFPA, Cement, Iron and Steel)
- UK Emissions Trading System
- U.S. EPA Climate Leaders Initiative
- World Wildlife Fund Climate Savers
- World Economic Forum Global GHG Registry
- ISO 14064 Part 1
- U.S. Department of Energy (1605b)

GHG Protocol Accounting Standards



**Product
Life Cycle
Accounting &
Reporting
Standard**

**Corporate
Value Chain
Accounting &
Reporting
Guidelines**

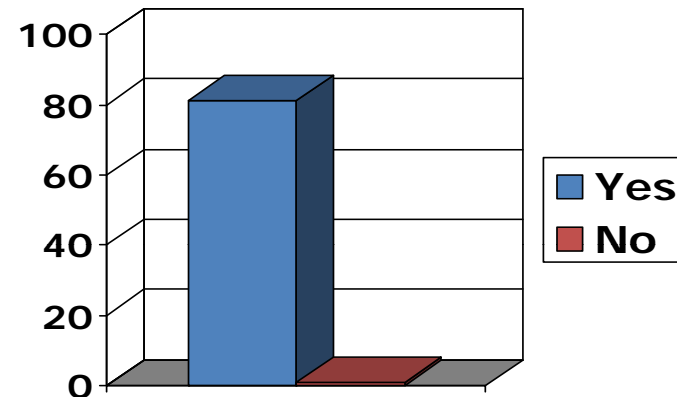
Drivers for New Guidelines

- Corporate GHG management moving beyond companies' own operations, toward full value chain
- Increasing focus on GHG emissions associated with goods and services
- Push for supply chain GHG disclosure and risk management
- Increasing public reporting of scope 3 emissions and product-level GHG emissions
- Increase in B2B requests for product and supply chain information
- Need to harmonize and standardize existing and emerging approaches

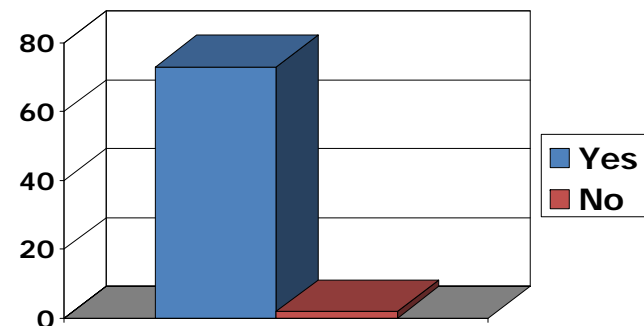
GHG Protocol Supply Chain Survey Results

- 100 surveyed
- Key results
 1. Companies expanding GHG management to full value chain / life cycle
 2. Diversity of current accounting practices
 3. Significant and long-term need for new GHG Protocol guidelines
 4. Need for both product- and corporate-level guidelines

Important business issue?



Need for new guidelines?



Two Related Standards

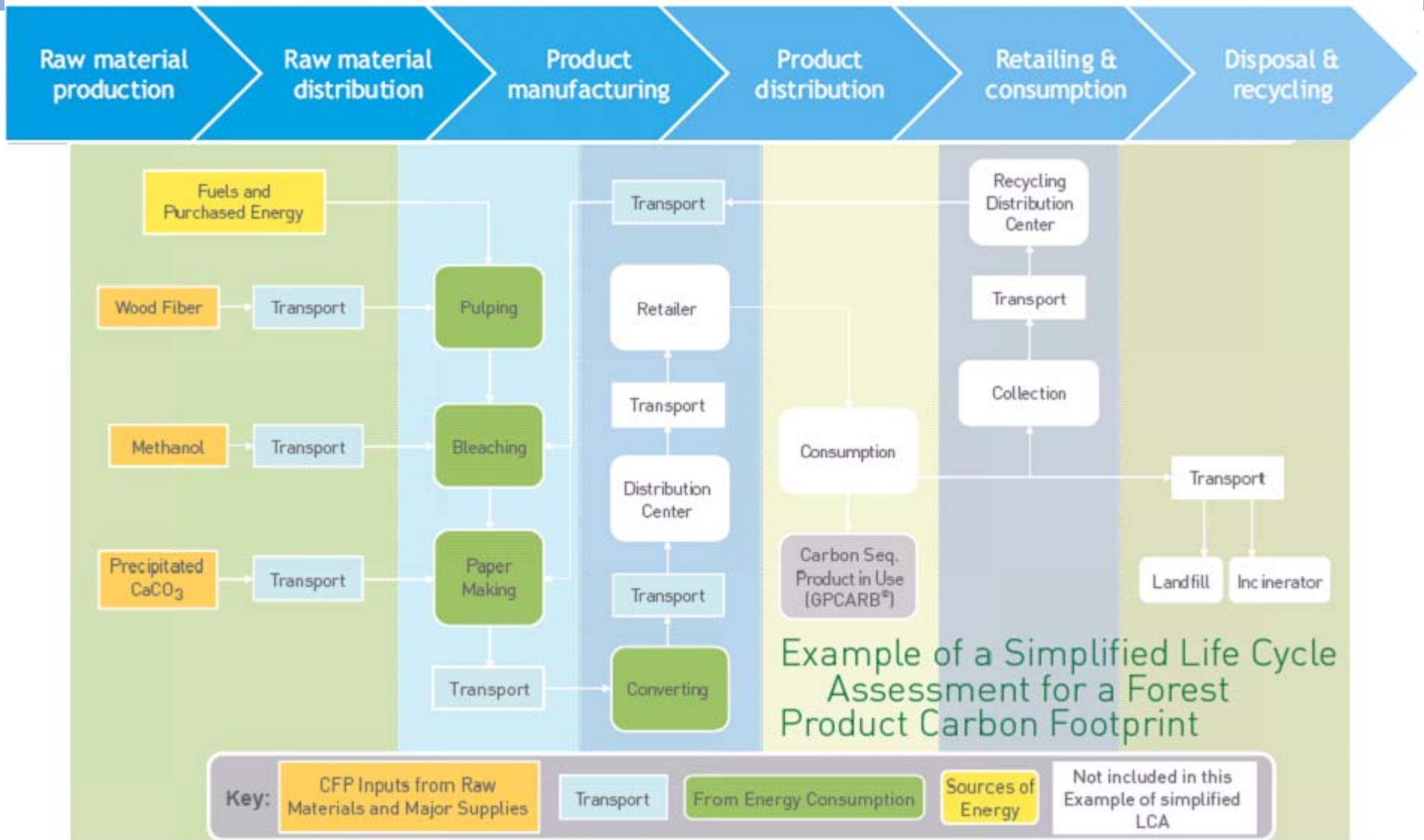
1. Product Life Cycle GHG Accounting & Reporting

- ⇒ Quantify and report product-level emissions
- ⇒ Build on existing life cycle assessment standards

2. Corporate Value Chain Accounting & Reporting

- ⇒ Quantify and report major GHG emitting activities in the value chain at the company/organization level
- ⇒ Build on GHG Protocol Corporate Standard

Emissions Across a Product Life Cycle



Source: Georgia Pacific

Emissions Across a Value Chain

Upstream (suppliers)

Extraction of purchased materials
Production of purchased materials
Transport of purchased materials
Waste from purchased materials

Electricity
Generation

Company's Own Operations

Downstream (customers)

Transport of sold products
Use of sold products
Disposal of sold products

Scope 1

Scope 2

Scope 3

Scope 3

- **Scope 3** emissions are a consequence of the activities of the company, but occur from sources not owned/controlled by the company
- **Scope 3** includes the emissions from the use of a company's products; the emissions of a company's suppliers; the transportation emissions in a company's value chain; the disposal of products it sells; etc.
- **Scope 1 + 2 + 3** = the full impact of a company's activities on climate change

Business Goals of New Standards

- Identify and prioritize GHG hot spots and reduction opportunities in the value chain—at the product and entity levels
- Establish baselines, set reduction targets and track performance—at the product and entity levels
- Inform product/material purchasing and supplier selection
- Enable credible disclosure and reporting—at the corporate level

Key Issues and Challenges

1. Setting Boundaries
2. Allocating Emissions
3. Collecting Data and Quantifying Emissions

1. Setting Boundaries

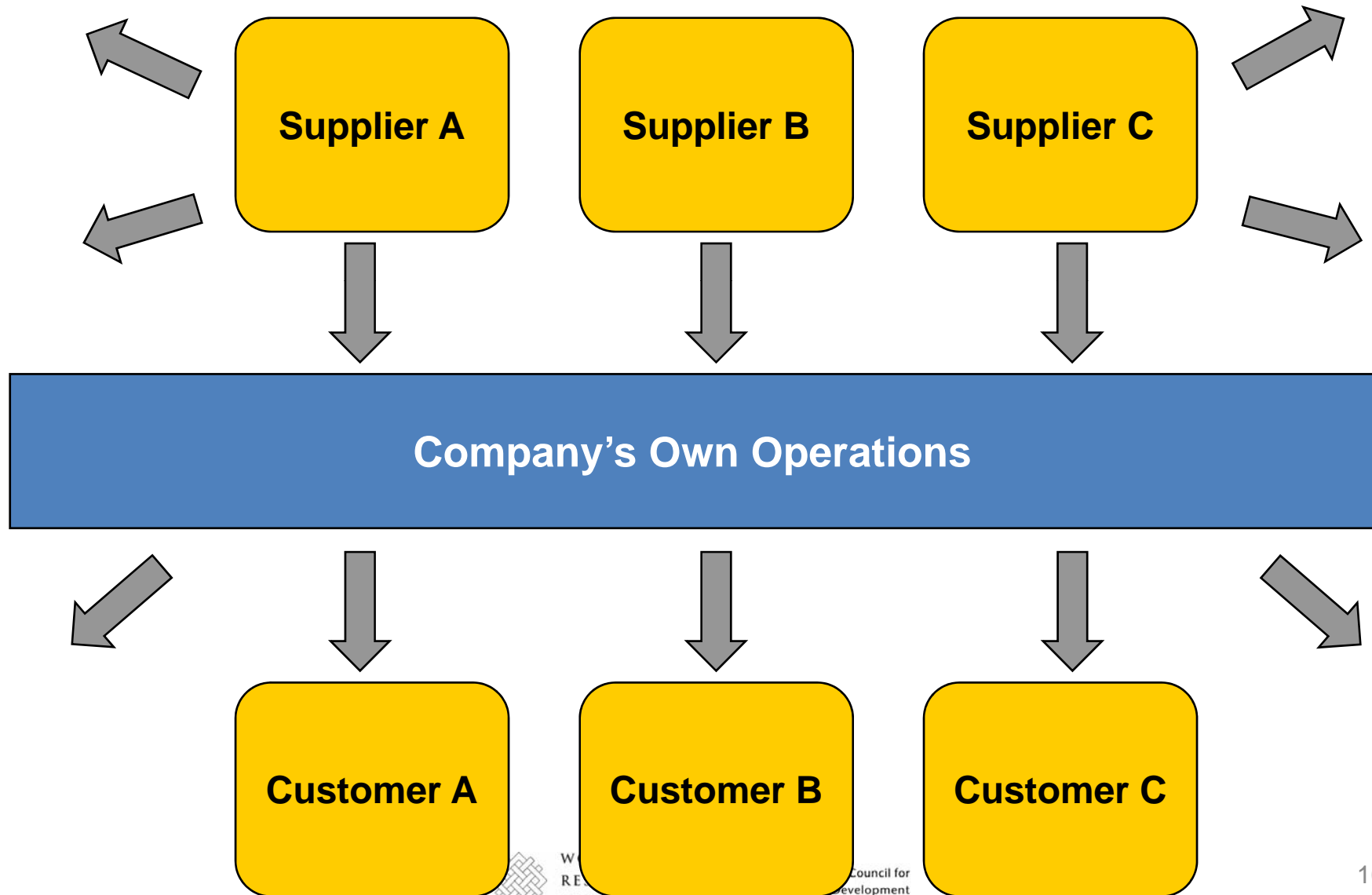
- What do you include / exclude in your inventory?
- How far back in the supply chain?
- Should you include capital goods/overhead?
- When should you include the product use and disposal phases?

Allocating Emissions

- How do you allocate emissions between multiple suppliers, products, and customers?
 - Mass
 - Volume
 - Energy
 - Economic value
 - Units of production



Allocating Emissions



3. Collecting Data

- How far back in the supply chain should you collect actual data from companies?
- When should use you use secondary data from national/regional sources?
- What assumptions do you make about consumers' use and disposal of your product?
- How do you address data confidentiality issues?

Collecting Data

- Practical Challenges
 - Collecting GHG data from global suppliers; collecting GHG data by product category
 - Exchanging data between suppliers and customers; addressing confidentiality concerns
 - Ensuring transparent reporting and verification along the supply chain; ensuring data quality

Standard Development Process

- Broad multi-stakeholder process
 - Business, government, NGOs, academia
 - 500+ stakeholders so far, from many countries and sectors
- Steering Committee Meeting: September 10 in Washington DC
 - EPA, EU, UNEP, Wal-Mart, GE, NRDC, CDP, Carbon Trust, ISO, etc.; gained consensus on objectives and strategy
- TWG Meeting: September 23-24 in London
 - 100 people; highly successful in gaining consensus around need for robust yet practical standards to be implemented globally

GHG Protocol Timeline

1. Convene steering committee, working groups, and stakeholder advisory group (2008)
2. Working groups begin drafting (Nov 2008)
3. Complete draft guidelines (2009)
4. Pilot testing (2009)
5. Complete final guidelines (2010)

Options for Participation

- Options
 1. Participate in stakeholder advisory group
 2. Pilot test draft guidelines
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