

# **Greenhouse Gas Protocol**

# Survey on Need and Scope for Updates or Additional Guidance Town of Gawler MARKET BASED ACCOUNTING SURVEY response

# 2 Feedback form questions

# Data and privacy acknowledgement

- 1. In order to proceed to the survey, please click yes below to acknowledge that you have reviewed the information in the Process Memo and Market-based Accounting Survey Memo and that you consent to the data disclosure agreements outlined in the Process Memo.
  - Yes
  - No

Yes

#### **Respondent information**

- 2. Name Tim Kelly
- 3. Organization Town of Gawler
- 4. Country Australia
- 5. Email address tim.kelly@gawler.sa.gov.au
- 6. Would you like to receive email updates from GHG Protocol?
  - Yes
  - No

# Yes

- 7. Does your company/organization have a greenhouse gas inventory?
  - Yes
  - No
  - Other (please specify)

# Yes

- 8. Are you involved in developing your company/organization's greenhouse gas inventory?
  - Yes
  - No
  - Not applicable
  - Other (please specify)

#### Yes

- 9. What is your organization type?
  - Academia/research
  - Company
  - Consultant supporting organizations with GHG inventories/strategies
  - GHG reporting program or initiative
  - Government institution
  - International agency
  - Industry group
  - Non-profit organization/NGO/civil society
  - Provider of data or product related to GHG inventories
  - Other (please specify)
- 10. What is your company's sector? [Dropdown menu/multiple choice of options]
  - Agriculture
  - Apparel
  - Biotech, health care and pharmaceutical
  - Chemicals
  - Construction
  - Consumer goods
  - Education
  - Energy
  - Finance
  - Food and beverage
  - Forest products
  - Forestry
  - Fossil fuels
  - Hospitality
  - Information and communication technology
  - Infrastructure
  - Insurance
  - Manufacturing
  - Materials
  - Mining
  - Power generation
  - Professional, scientific, and technical services
  - Real estate
  - Retail
  - Services
  - Transportation
  - Utilities (water, gas, electricity)
  - Waste management

• Other (please specify) Local Government Organisation, with operational activities across various sectors – Construction, Infrastructure, Services, Waste Management in addition to being direct customer.

# Purpose

Background: The current GHG inventory accounting approach for scope 1 and scope 3 is an attributional accounting approach that uses a physical/average/location-based method to calculate scope 1 and scope 3 emissions, with separate reporting of project-based impacts (i.e., using project/intervention/consequential accounting methods relative to counterfactual baseline scenarios) and separate reporting of purchased credits, certificates, or other market instruments in a disaggregated GHG inventory report. (See background memo for further details.)

accurate, complete, consistent, relevant, and transparent account of a company's GHG emissions and removals associated with its operations and value chain?

Yes

- No
- Not sure

#### No

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

The GHG Protocol documents do not yet describe the role of accredited renewable electricity in market based methods associated with project crediting, supply chain interventions and certificate/chain of custody models.

These applications of market based accounting include the use of supply chain greenhouse gas impact data coupled with the use of carbon offsets and renewable electricity. This methodology can be used to vary the greenhouse intensity of supply chain products and services.

The background information describes different types of accounting. However, in practice, inventory accounting and project intervention accounting are already combined or tangled in everyday use. Carbon offsets are already used to change Chain Of Custody outcomes with carbon offset products and services used as inputs for carbon neutral claims and further downstream products and services.

There is opportunity to continue to support inventory accounting in scopes, but to enable carbon offsets to work as negative scope 3 emissions which may be applied across the aggregate of Scope 1, 2 and 3 emissions within supply chains and for end user carbon claims.

- 13. Do you think there is a need for market-based accounting approaches related to scope 1 GHG reporting?
  - Yes
  - No
  - Not sure

#### No

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

Scope 1 emissions are by definition direct emission sources from a given site or combustion process and as such cannot be changed. Negative Scope 1 emissions are possible through carbon sequestration activities within the operational control of a business, such as through reafforestation or carbon capture and storage.

Any market based approach involves a market contract and therefore falls into the Scope 2 category as purchased electricity or as Scope 3 emission or negative scope 3 emissions.



15. If yes, what would be the purpose or objective(s) for incorporating market-based accounting approaches in scope 1 GHG emission reporting? You may enter brief comments here or submit a more detailed proposal using the proposal template.

There could be no good purpose in interfering with Scope 1 accounting.

Where some jurisdictions and organisations report on Scope 1 and 2 emissions only, without acknowledging upstream and downstream Scope 3 emissions, they appear to also seek ways to reduce these emissions with market based instruments including carbon offsets which by definition, are Scope 3 adjustments.

That is, some jurisdictions and organisations wish to claim Scope 3 reductions without acknowledging Scope 3 liabilities.

- 16. Do you think there is a need for market-based accounting approaches related to scope 3 GHG reporting?
  - Yes
  - No
  - Not sure

#### Yes

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

The market has already spoken in this regard - it wishes to use carbon offsets to reduce emissions and for organisations to achieve net zero emissions.

The problem is that offsets have been underdefined and kept out of scope reporting. Offsets are being used to directly reduce Scope 1 and Scope 2 emissions resulting in a perverse outcome. The Australian Government in both its Corporate Emissions Reduction Transparency (CERT) reporting scheme and its Safeguard constraint mechanism for high emitting corporations, has allowed carbon offsets to create net zero Scope 1 emission values.

There is opportunity to maintain inventory accounting for acknowledging upstream and downstream emissions whilst allowing the use of carbon offsets as contractual instruments to alter the Scope 3 values.

There must of course be basic debit and credit rules such that: those creating a Scope 3 carbon offset should add a Scope 3 emission to their accounts and claims to enable those buying carbon offsets to claim a Scope 3 reduction. Acknowledging that no system will be universally perfect, this approach would be a vast improvement on the current situation where those creating and selling carbon offsets can continue to claim that abatement on

site, whilst the end users of offsets are also claiming the same abatement.

For public reporting and claims, an organisation will then be able to report their Scope 1, 2 and 3 emissions, including the offsets as negative emissions for a final net emissions value. Carbon offsets and carbon offset products and services would be part of organisational decisions to reduce Scope 3 emissions.

18. If yes, what would be the purpose or objective(s) for incorporating market-based accounting approaches in scope 3 GHG emission reporting? You may enter brief comments here or submit a more detailed proposal using the proposal template.

The purpose of allowing market based approaches in Scope 3 accounting is to reform the use of offsets in markets by properly defining them as negative Scope 3 emissions to prevent systemic double counting and misuse of offsets as wildcards.

It is easily argued that Scope 3 accounting is already market based accounting as it is connected to an organisation or individual through the contracts or 'purchased activities' they have established for upstream goods and services and downstream consequential emissions.

#### Accounting approach

- 19. Do you think that market-based accounting approaches ensure that emission reductions reported in a company's GHG inventory correspond to a reduction in emissions to the atmosphere?
- Yes
  - No
  - Not sure

#### Yes

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

#### This question would have been better to be asked in relation to influence.

All upstream and downstream emissions are market based being associated with an entity through their contracts. If an organisation does not buy upstream goods and services or does not make products and services that cause downstream indirect emissions, then there would be no Scope 3 emissions. So, there is an influence.

Similarly, if a company purchases carbon offsets this creates an indirect influence to cause activities such as revegetation. In this sense, providing that the methods to create the offsets are sound, then the negative Scope 3 emissions reported in a company's GHG Inventory will correspond with a reduction in Scope 1 emissions to the atmosphere where the offset project is undertaken.

However, the key ingredient for integrity is to establish debit and credit accounting rules to prevent those selling the offsets to continue to additionally claim the abatement on site.

21. If yes, how do they ensure consistency between company and global emission reductions? You may enter brief comments here or submit a more detailed proposal using the proposal template.

The defining of carbon offsets as negative Scope 3 emissions allows the inventory adjustment of Scope 3 supply chain emissions acknowledgement to be achieved in a way that provides clarity for all and prevents double counting.

Consistency between organisational and global emissions is maintained and there is better accounting to understand that the Scope 1 and 2 emissions of organisations do not change with offsets, but emissions through a contractual influence are reduced elsewhere - at an offset project site.

- 22. Could current or new market-based approaches be designed to ensure that emission reductions reported in a company's GHG inventory correspond to a reduction in emissions to the atmosphere?
- Yes
  - No
  - Not sure

#### Yes

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

Defining carbon offsets as negative Scope 3 emissions with basic debit and credit rules will ensure that emissions are reduced or sequestered from the atmosphere at the site of the offset project. This approach will work where the offset is purchased by the end use organisation to offset aggregate emissions, or where the emissions reductions are applied in the supply chain to vary the GHG intensity of product and service inputs.

The widespread use of carbon offsets as negative emissions is already established in inventory accounting towards abatement and carbon neutral claims. The problem is that carbon offsets have not been properly defined as negative scope 3 emissions, so they tend to be used as wildcard emissions without adequate regard to scopes and without basic debit and credit rules to prevent the offset creator from continuing to claim the same abatement that they have sold.

24. If so, how? For which types of market instruments and approaches? You may enter brief comments here or submit a more detailed proposal using the proposal template.

A more detailed Policy Reform Template will be provided.

In summary, carbon offsets are negative Scope 3 emissions by definition, as they are contractual instruments relating to a purchased activity and change of emissions elsewhere in the market.

The GHG Protocol can improve the use and prevent the misuse of carbon offsets by strengthening the definition and guidance of offsets as follows:

- Definition: Carbon Offsets are negative Scope 3 emissions embodied in a tradable certificate whereby a customer can purchase negative scope 3 emissions, with the creator (and seller) required to add a Scope 3 emission to any of their reporting and claims.
- Scope 1 emissions are not altered when selling carbon offsets. Example: If a landholder has grown trees to create a carbon offset, the Scope 1 carbon sequestration is acknowledged for the site, but any sale of offsets must result in a positive Scope 3 emissions being added to any reporting and claims associated with that site.
- An end consumer of a carbon offset is entitled to claim a Scope 3 reduction through purchasing an accredited carbon offset. However, this does not change the Scope 1 or Scope 2 emissions of the consumer.
- In inventory accounting, the purchase and claim of carbon offsets can be claimed across the inventory total of an organisation towards a carbon neutral claim. For example, if an entity has 100 tonnes of Scope 1 emissions and 50 tonnes of Scope 2 emissions plus 10 tonnes of Scope 3 emissions, then the total across Scope 1, 2 and 3 emissions is 160 Tonnes CO2-e. That entity could purchase 160 tonnes of accredited carbon offsets to claim a net zero outcome across Scope 1, 2 and 3 emissions (S1+S2+S3 S3 offsets).

#### **DEFINING WHAT IS NOT AN OFFSET**

• GHG Permit systems and the trading of permits and allowances are not emissions reductions and should be clearly identified as such to prevent any confusion with carbon offsets or incorrect claiming of negative emissions associated with permit

#### Carbon Offsets (Offset Credits)

#### It is noted that the GHG Protocol has stated in the discussion paper that:

"Companies may also report the following information in a GHG inventory report, separately from emissions reported in the scopes:

purchases of credits, certificates, or other instruments,

The statement above is both true and untrue. Whilst Companies may report carbon offsets (offset credits) and other instruments separately for scopes, they are used in direct equations to reduce emissions that are reported in scopes and are therefore serving as wildcard negative emissions across any and all scopes.

For example, in Australia, the Corporate Emissions Reduction Transparency (CERT) reporting scheme has enabled 'Net Scope 1 Totals' based on the use of carbon offsets. Also, under Australia's Safeguard Mechanism, carbon offsets can be used to reduce the Scope 1 emissions of a facility to ensure compliance, even where there is no reporting of Scope 3 emissions.

#### **Inset Credits**

The use of inset credits can also be problematic where there is not an adequate definition of these as a form of carbon offsets (offset credits) as negative Scope 3 emissions. Whether accounting for inset credits or offset credits, there is a need to ensure that the site of creation is adding Scope 3 emissions, to enable a site of use to claim negative Scope 3 emissions.

#### **Intervention methods - Remote influence**

The Survey Memorandum discusses other indirect influence actions that are further remote from GHG accounting in scopes:

"the GHG impact of company actions or financing, such as avoided emissions, using project or intervention accounting methods (where impacts on emissions are quantified relative to a counterfactual baseline scenario".

Such intervention methods have no place on carbon accounting and claims but could be used in context. Further explanation of this position is covered in response to Question 27

25. If market-based accounting approaches are used, what accounting methodology should be used to account for them (e.g. inventory method, project/intervention method, combination of the two methods, or other method)? Why? (See background memo for a comparison of inventory vs project/intervention accounting methods.)

Inventory accounting should be used with carbon offsets, fully integrated as negative Scope 3 emissions. This is just the formalisation of what is already happening, but with basic debit and credit rules for carbon offsets and renewable electricity to prevent systemic double counting.

There is no reason as to why carbon offsets cannot be fully integrated with inventory accounting to support a market based claims and low carbon economies.

26. If market-based accounting approaches are quantified using project/intervention methods relative to counterfactual baseline scenarios, can they be integrated into GHG inventory methods to calculate scope 1 and scope 3 emissions?

- Yes
- No
- Not sure
- 27. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

Beyond the creation and use of carbon offsets, there is already a common tendency for some market participants to claim remote influence as a pathway to additional double counting.

On that basis such claims which are without debit and credit rules to prevent double counting, should have no place in the GHG Protocol documents. For example, project intervention claims are used in relation to renewable electricity projects separately to market based Scope 2 accounting. One party may claim use of renewable electricity at zero emissions whilst, at the same time, another entity claims to have reduced those same emissions by funding/financing the renewable electricity infrastructure or by simply purchasing the electricity from that infrastructure.

28. If yes, how these method/s can be integrated into the <u>accounting</u> of a GHG inventory while meeting the GHG Protocol decision hierarchy including key GHG Protocol accounting & reporting principles (See the proposal template annex for background on decision hierarchy)? Please briefly explain your selection or use the proposal template for a more detailed reply.

Beyond the creation and use of carbon offsets with debit and credit rules, there is no way to integrate these methods into inventory accounting without compromising the integrity of reporting emissions in scopes or transferring negative emissions as carbon offsets.

29. If yes, how these method/s can be integrated into the <u>reporting</u> of a GHG inventory while meeting the GHG Protocol decision hierarchy including key accounting and reporting principles. For example, to meet the transparency principle, should the market-based accounting inventory results be separately reported from scope 1 and scope 3 emissions? (See the proposal template annex for background on decision hierarchy)?

Beyond the orderly creation and use of carbon offsets, influence relating to project/intervention methods of accounting should be limited to non-emissions context only. These actions are like claiming to buy local, ethical investment or other social conscience influencing, but do not have an immediate role in GHG accounting and should remain as contextual claims by organisations only.

Carbon offsets can be fully integrated with emissions accounting in scopes by formally defining carbon offsets as negative Scope 3 emissions.

30. If market-based accounting approaches are quantified using inventory methods, would your company be able to demonstrate or quantify impact (i.e. reductions in emissions to the atmosphere) associated with market instruments? If so, how?

Market based approaches can be fully integrated with inventory reporting methods in scopes. The conceptual context already sits in the popularly displayed graphics of emissions accounting in scopes:

- Scope 1 emissions are reported where they occur. By definition, they cannot be changed in any market based accounting framework. Scope 1 emissions can either be positive (released) or negative (such as through afforestation, reafforestation or carbon capture and storage).
- Scope 2 emissions reported in a market based accounting framework enables emissions to be reported as:
  - Renewable electricity use at zero Scope 2 emissions, or
  - Standard grid electricity using the Residual Mix Factor to calculate electricity emissions.
- Scope 3 emissions can be reported using the GHG Protocol methodologies to calculate emissions. Where actual supply chain data is available this can then be utilised. Carbon offsets should be defined as a negative Scope 3 emission so that they can be fully

integrated with inventory accounting in a way that prevents double counting.

• Carbon offsets do not change Scope 1 emission totals and do not change Scope 2 emission totals but can be used against the total aggregate of Scope 1, 2 and 3 emissions in an inventory to present a net emissions outcome value.

#### Role in corporate GHG reporting

- 31. Please select which of the following option(s) best represents how you think <u>purchases of offset credits</u> (see background memo on types of market instruments) should be accounted for within corporate GHG inventory reporting. Please select all that apply:
  - a. No role in corporate GHG reporting
  - b. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, to provide transparency and context on actions the company is taking to reduce emissions (similar to reporting avoided emissions or impacts of specific actions separately from scope 1, scope 2, and scope 3 emissions)

c. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, which could potentially be used to contribute to achieving a company's GHG target(s) d. Used to calculate scope 1 emissions

- e. Used to calculate Scope 3 emissions.
- f. Not sure/No opinion
- g. Other (please specify)

#### 32. Please explain your selection for purchases of offset credits.

(e) Any reading of a typical scopes diagram which shows that Scope 3 emissions are acknowledgement of emissions that are released elsewhere with a contractual connection, also informs that carbon offsets must be negative Scope 3 emissions based on the same logic.

It should be noted that (g) "Other" may also be part of the answer in so far as the role of recognising the aggregate across Scope 1, Scope 2, and Scope 3 emissions towards making greenhouse reduction claims and carbon neutral claims.

- 33. Please select which of the following option(s) best represents how you think <u>purchases of inset credits</u> (see background memo on types of market instruments) should be accounted for within corporate GHG inventory reporting. Please select all that apply:
  - a. No role in corporate GHG reporting
  - b. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, to provide transparency and context on actions the company is taking to reduce emissions (similar to reporting avoided emissions or impacts of specific actions separately from scope 1, scope 2, and scope 3 emissions)

c. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, which could potentially be used to contribute to achieving a company's GHG target(s) d. Used to calculate scope 1 emissions

#### e. Used to calculate scope 3 emissions.

- f. Not sure/No opinion
- g. Other (please specify)

34. Please explain your selection for purchases of inset credits.

(e) Inset credits are simply *closer-to-home* offset credits. The proper definition of carbon offsets would eliminate the need for a separate certificate mechanism for reductions applied as part of an organisation's value chain or not.

There is no need to create yet another crediting concept.

All offset credits (including inset credits), need to be created and managed with basic debit and credit rules which apply end user Scope 3 emission reductions.

The distinction of whether an offset credit is being used by an entity internal to an organisation (as a negative Scope 3 emission), can really be managed as contextual information that an entity can provide. It does not need to become a separate certificate mechanism.

<u>interventions</u> (see background memo on types of market instruments) should be accounted for within corporate GHG inventory reporting. Please select all that apply:

- a. No role in corporate GHG reporting
- b. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, to provide transparency and context on actions the company is taking to reduce emissions
- (similar to reporting avoided emissions or impacts of specific actions separately from scope 1, scope 2, and scope 3 emissions)

c. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, which could potentially be used to contribute to achieving a company's GHG target(s) d. Used to calculate scope 1 emissions

#### e. Used to calculate Scope 3 emissions.

- f. Not sure/No opinion
- g. Other (please specify)
- 36. Please explain your selection for supply shed/value chain interventions.

The role of carbon offsets as negative Scope 3 emissions enables scope 3 emissions to be reduced in two ways:

- **1)** As claimed directly as a negative Scope 3 emission in the reporting and claims inventory of an entity.
- 2) As reducing the emissions of a product or service purchased by the entity, which has the result of lowering the greenhouse gas intensity of that purchased product or service. For example, a business may purchase carbon offset paper at a lower Scope 3 greenhouse gas intensity compared to alternative options that are available.

For carbon offset transport fuels however, it must be recognised that the Scope 1 emissions do not change, and the carbon offset must be claimed as a negative Scope 3 emission by the end user of the fuel.

- 37. Please select which of the following option(s) best represents how you think <u>mass-balance certification</u> approaches (see background memo on types of market instruments) should be accounted for within corporate GHG inventory reporting. Please select all that apply:
  - a. No role in corporate GHG reporting
  - Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, to provide transparency and context on actions the company is taking to reduce emissions (similar to reporting avoided emissions or impacts of specific actions separately from scope 1, scope 2, and scope 3 emissions)

c. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, which could potentially be used to contribute to achieving a company's GHG target(s) d. Used to calculate scope 1 emissions

#### e. Used to calculate Scope 3 emissions.

- f. Not sure/No opinion
- g. Other (please specify)
- 38. Please explain your selection for use of mass-balance certification.

(e) Mass balance accounting which occurs in relation to products and services that are part of the supply chain and are not within the operational control of an entity, should be applied to Scope 3 accounting in relation to the inventory and any related claims of an entity. Mass balance equations used in relation to the direct emissions of an organisation simply become part of the organisational emissions calculations.

- 39. Please select which of the following option(s) best represents how you think <u>book-and-claim certification</u> (see background memo on types of market instruments) should be accounted for within corporate GHG inventory reporting. Please select all that apply:
  - a. No role in corporate GHG reporting
  - Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, to provide transparency and context on actions the company is taking to reduce emissions (similar to reporting avoided emissions or impacts of specific actions separately from scope 1, scope 2, and scope 3 emissions)
  - c. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions,

which could potentially be used to contribute to achieving a company's GHG target(s) d. Used to calculate scope 1 emissions

e. Used to calculate Scope 3 emissions.

- f. Not sure/No opinion
- g. Other (please specify)
- 40. Please explain your selection for use of book-and-claim certification.

Book and claim certification is already being widely signalled in the market for concepts such as renewable hydrogen, green steel carbon offset products and services.

#### The two key market based ingredients of book and claim certification proposals are:

- 1. Accredited Renewable electricity.
- 2. Carbon offsets.

There may be additional inputs that influence the Scope 3 emissions profiles of products and services in the upstream supply chain requiring consideration.

The challenge is to provide an accounting framework that serves to provide clarity and integrity around these claims. The solution is to improve Scope 2 accounting and clarify that carbon offsets are negative Scope 3 emissions. In addition, market based accounting needs to be formerly adopted in jurisdictions to make the whole framework work as one system.

41. Do you think there are <u>other market-based accounting approaches</u> that can be reported as part of corporate GHG inventory reporting? If so, what role, and why? Please select all that apply:

#### a. No role in corporate GHG reporting

 Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, to provide transparency and context on actions the company is taking to reduce emissions (similar to reporting avoided emissions or impacts of specific actions separately from scope 1, scope 2, and scope 3 emissions)

c. Reported in a GHG inventory report, separately from scope 1 and/or scope 3 emissions, which could potentially be used to contribute to achieving a company's GHG target(s) d. Used to calculate scope 1 emissions

- e. Used to calculate scope 3 emissions
- f. Not sure/No opinion
- g. Other (please specify)
- 42. Please specify what other market-based accounting approaches.

#### None are supported.

43. Please explain your selection for other market-based accounting approaches.

None of the approaches above are supported because each option described above is contradictory to market based accounting in scopes and will lead to the further entrenchment of systemic double counting.

A single market based method is required for renewable electricity and a single market based method is required for creating, selling, and making end use claims associated with carbon offsets.

44. Does the approach vary by type of market instrument (see background memo on types of market instruments)? Why or why not? How are the various instruments and approaches the same or different?

The description of market based instruments is an interpretation of overlapping methods which cover chain of custody accounting and offsets. There is probably no need to seek to drill down to this level of detail on concepts that are themselves vague and inconsistent.

# It is suggested that it would be better to focus on accounting for Scope 3 emissions through supply chain accounting, whilst enabling the role of carbon offsets and renewable electricity in varying Scope 3 and Scope 2 emissions influences respectively.

45. Would market-based accounting approaches be appropriate for some sectors but not others? (Example sectors include electricity, natural gas/biomethane, aviation fuels (SAF), oil, agricultural commodities, transport/shipping, hydrogen, steel, aluminum, and others.) What are the differences between sectors or conditions that would make it appropriate or not appropriate? Please briefly explain your selection or use the proposal template for a more detailed reply.

Many upstream products and services which create the Scope 3 emissions of organisations can be assessed using real data. For example, the greenhouse intensity of water supply can be determined by the electricity consumption from pumping and water treatment and the use of chemicals, with an intensity value/ML provided by the supplier. The choice of electricity used to produce the water, the greenhouse intensity of the chemicals used, and any use of accredited carbon offsets in the provision of those chemicals will help the utility to prepare a value that is more robust compared with an industry average value.

Role of GHG Protocol accounting and reporting standards vs. GHG target setting or reduction programs

Background: Implementation of a market-based accounting system related to scope 1 and/or scope 3 would require programmatic decisions and programmatic oversight/enforcement on issues such as (but not limited to):

- contractual arrangements that generate and transfer ownership of rights and obligations related to emissions and emission reductions between parties,
- policy decisions on the eligibility or lack thereof of different types of instruments to meet a company's targets,
- setting the level of ambition of targets for different companies and sectors,

• defining a set of quality criteria (e.g., additionality, permanence, avoiding leakage, unique issuance and claims, independent verification, program governance, etc., and/or other quality criteria) that cannot be enforced by a voluntary standard alone

- avoidance of double counting (including through registries for issuance, tracking, and retirement to ensure unique claims; development and use of residual emission factors by all actors in the system; avoidance of double counting between location-based and market based accounting system
- 46. The GHG Protocol sets standards but does not administer any program (e.g. disclosure or target-setting). Given several programmatic considerations such as those listed above, would market-based approaches be more effectively implemented by GHG target setting or reduction programs or regulatory bodies, rather than by the GHG Protocol, in order to provide additional rules and decisions as well as ensure their administration, verification, and enforcement?
  - Yes
  - No
  - Not sure
- 47. Please briefly explain your selection for who should provide rules and decisions on the accounting and reporting specifications, administration, verification and enforcement of market-based approaches.

The GHG Protocol has a valuable role in developing standards and accounting frameworks that have integrity to underpin low carbon markets globally. However, to implement standards in national and state jurisdictions requires governments to adopt legislation and regulatory mechanisms locally in order for markets and claims to be legitimate, systemic double counting prevented and fair pricing structures to be encouraged.

Current problems of systemic double counting are caused where governments support market based claims in non-legal schemes, whilst maintaining location based claims at the same time and supporting entities to choose which ever system delivers the best claim.

Improvements in market based accounting for both renewable electricity and carbon offsets can be achieved by better defining how the methods should be implemented in local

#### jurisdictions through legislative instruments.

Where there is a legislated foundation in local jurisdictions then standards can be regulated with assurance requirements and enforcement actions where necessary. In the absence of localised legislation, the GHG Protocol standards lack any tangible application and implementation.

Other

48. Do you have any other feedback?

The Town of Gawler can provide additional feedback in relation to the GHG Protocol and would appreciate any opportunity to further discuss our feedback and proposals with the GHG Protocol Team.

Furthermore, the Town of Gawler would welcome opportunities to participate in any working groups that may be formed to assist in the further development of market based accounting approaches.