

MARCH 2023

**QuiEstVert's response
to the surveys on the revision
of the GHG Protocol**



Lyon - France, the 9th march 2023

ABOUT QUIESTVERT

QuiEstVert is a non-profit organization **promoting the consumption of renewable electricity that unites french market actors**. Despite a favorable opinion towards renewable energy, France ranks among the lowest countries in Europe in terms of green electricity consumption. In this context, **QuiEstVert aims to make France the biggest renewable electricity consumer of Europe**.

QuiEstVert organizes **collective statements and takes positions** on current events and regulatory developments in the sector. It also offers a **clear and transparent educational content** for all electricity consumers.

CONTEXT

The **Greenhouse Gas Protocol (GHGP)** is an international standard for corporate reporting of carbon emissions, managed by the World Resource Institute (WRI). The GHGP decided **to open surveys to collect feedbacks from market actors** ahead of an evolution of its methodology of carbon footprint calculation.

CORE MESSAGE

1. In countries where residual mixes are calculated by authorities, **carbon emission factor should be provided along with the calculation of the residual mix**. This will help to have a common basis. As an example, the AIB in Europe should provide this information for all European countries.
2. We recommend helping governments **to implement full consumption disclosure (FCD)**. In most countries, a consumer is getting a high carbon footprint given by default either by using a well calculated residual mix or by getting a vague estimation through a location-based calculation. FCD obliges the consumer to actively opt for fossil fuels if they don't wish to contribute to energy transition. From our experience, in countries where FCD is applicable (Austria, Switzerland, the Netherlands), **the use of Renewable EACs is significantly higher**. Those countries have success stories of unsupported PPAs as well.



3. We urge the GHG Protocol **to have a clear position on the double calculation issue** related to its recognition of the location-based methodology. Location based nudges companies to hide behind a more favourable mix in case they choose not to buy renewable energies. In addition, this methodology is based on an inaccurate conception of physical realities. In Europe particularly, most countries are well interconnected and thus belong to the same grid physically. Nevertheless, some areas benefit from much lighter carbon emission factors thanks to political boundaries. Two perfect examples are France and Norway. In France, although the grid is coupled most of the time with the Benelux or Germany, we consider that some consumers use nuclear electricity and others coal & gas. **This huge mistake leads to inaction from consumers and fills people with distrust.**

Note: in this document, **QuiEstVert's answer is in green bold text.**



QUIESTVERT'S RESPONSE TO THE SURVEYS

1 - MARKET-BASED SURVEY

13. Do you think there is a need for market-based accounting approaches related to scope 1 GHG reporting?

- Yes
- No
- Not sure

14. Please explain your selection:

It should be considered wherever a national law recognizes gas EACs.

15. If yes, what would be the purpose or objective(s) for incorporating market-based accounting approaches in scope 1 GHG emission reporting?

This will help to finance the development of biogas to replace conventional gas.

16. Do you think there is a need for market-based accounting approaches related to scope 3 GHG reporting?

- Yes
- No
- Not sure

17. Please explain your selection:

EACs should have an impact on scope 3.

18. If yes, what would be the purpose or objective(s) for incorporating market-based accounting approaches in scope 3 GHG emission reporting?

Having an impact on scope 3 will increase the value of EACs and thus incentivise investment in low carbon electricity and gas.



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

20. Please explain your selection:

EACs enable consumers to value how electricity is produced. Thus, a consumer can provide additional income to low carbon production. The market design of the power market can't do that as its only purpose is to value the balancing of the grid.

EACs are therefore a perfect complement to the power market. Its design is smart since it gives information that is impossible to track in the power market such as the energy used to produce electricity (and thus the GHG emission factor), the location of the powerplant, the commission date etc.

Given renewable electricity generators' high capital costs, EACs can provide substantial additional income, critical to de-risking an energy project. For instance, the Environmental Protection Agency suggests that unbundled RECs allow for greater revenue generation which ultimately makes renewable energy development a more attractive investment opportunity.

EACs boost investment in renewable electricity by allowing the structuration of PPAs, giving extra income for maintenance of existing power plants or by returning funds to public investment programs. In France for example, the State received €134M in 2022 from GO (Europeans EACs) auctions. Our organization QuiEstVert invites the GHG Protocol to study the European market for EACs where demand is high, prices are strong, and investment in renewable electricity is pushed by private voluntary demand.

EACs clearly support additionality, help to accelerate the energy transition, and cut emissions by displacing fossil fuels.



21. If yes, how do they ensure consistency between company and global emission reductions?

Companies can generate a global impact following their choices on the origin of their purchased energy.

First, they can have a financial impact that will reduce the burden that weighs on taxpayers.

Hence, it helps to increase public acceptance of the cost of the energy transition. In addition, if a company communicates about its commitment, it helps to share values that can increase public acceptance as well.

While each instrument is designed to have its own effect, the more the various instruments align, the greater their impact will be.

It is important that voluntary emissions accounting initiatives do not undermine governmental instruments, Instead, they should build upon them.

Therefore, we recommend that the location-based calculation of emissions is forbidden in countries where EACs and residual mixes are considered the legal tracking system. The European Union Member States are examples of such countries.

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

23. Please explain your selection:

The current market-based approaches have proven to be effective. EACs allow the structuring of PPAs, reduce the burden of state investment programs that weigh on taxpayers, help to finance the maintenance of existing renewable electricity power plant, allow the sharing of values in society thanks to the communication programs of private corporations and public administrations.



Full disclosure schemes provide total transparency of the energy being produced and consumed. 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 must 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.

24. If so, how? For which types of market instruments and approaches?

Three major evolutions will help to make the system better.

1. In countries where residual mixes are calculated by authorities, carbon emission factor should be provided along with the calculation of the residual mix. This will help to have a common basis. As an example, the AIB in Europe should provide this information for all European countries.

2. We recommend helping governments to implement full consumption disclosure (FCD). In most countries, a consumer is getting a high carbon footprint given by default either by using a well calculated residual mix or by getting a vague estimation through a location-based calculation. FCD obliges the consumer to actively opt for fossil fuels if they don't wish to contribute to energy transition. From our experience, in countries where FCD is applicable (Austria, Switzerland, the Netherlands), the use of Renewable EACs is significantly higher. Those countries have success stories of unsupported PPAs as well.



3. We urge the GHG Protocol to have a clear position on the double calculation issue related to its recognition of the location-based methodology. Location based nudges companies to hide behind a more favorable mix in case they choose not to buy renewable energies. In addition, this methodology is based on an inaccurate conception of physical realities. In Europe particularly, most countries are well interconnected and thus belong to the same grid physically. Nevertheless, some areas benefit from much lighter carbon emission factors thanks to political boundaries. Two perfect examples are France and Norway. In France, although the grid is coupled most of the time with the Benelux or Germany, we consider that some consumers use nuclear electricity and others coal & gas. This huge mistake leads to inaction from consumers and fills people with distrust.

2 - SCOPE 2 SURVEY

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

14. Please explain your selection:

Currently, the GHG Protocol Scope 2 Guidance created a huge increase of commitment from corporates throughout the world thanks to the recognition of EACs to track and reduce their carbon footprints. In 2022, the economic consequences were striking. A huge amount of money was brought back to State budgets thanks to private commitments to buy EACs.

As an example, the French state received €134M through the GO auctions. Other countries like Italy, Portugal, Croatia, Hungary or Luxembourg experienced the same success. Furthermore, we observe an increase of PPAs in Europe partly due to the rise of GO prices that fluctuate between 5 and 10€ per megawatt hours. Such prices increase the profitability of RES power plants. Finally, EACs increase public awareness



and support as companies communicate and share their values in favor of the energy transition.

Nevertheless, the success of the impact of the GHG Protocol remains limited because of problematic elements in the methodology. The main one being the recognition of location-based calculation in areas where national laws implemented EACs to track electricity and gas. The European Union is one example.

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

16. Please explain your selection:

The location-based method should be removed everywhere there is a regulation allowing the use of EACs and the calculation of a residual mix of the location.

Currently, the system of double calculation (market based and location based) leads to inaction towards energy transition, bad communication and misunderstanding resulting in destructive controversies. It removes incentives for corporates to support energy transition by financing renewable electricity. Even worse, location-based method is used for greenwashing purposes by industrial companies that avoid using EACs. Norway is a perfect example with their aluminum industry.

Another reason to get rid of the location-based method, especially in Europe, is that the calculation is wrong. It is influenced by political realities and gives a false idea of the physical realities.



The emission factor is based on the production mix of a country. This approach is quite wrong in a very strongly interconnected system where countries are often coupled. As an example, in France we make the obvious mistake of thinking that our emission factor is low because it is essentially related to nuclear power production although we should have an average calculation that includes interconnected countries such as Germany, the Benelux etc.

Therefore, location-based method should be only considered in countries where no legal instrument for disclosing the origin of consumed energy.

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

18. Please explain your selection:

In countries where residual mixes are calculated by authorities, a carbon emission factor should be provided along with the calculation of the residual mix. This will help to have a common basis for reporting.

As an example, the AIB in Europe should provide this information for all European countries.

19. Do you think there is a need for updates related 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



20. Please explain your selection:

Location based method should be removed everywhere there is a regulation allowing the use of EACs and the calculation of a residual mix.

The goal of the GHG Protocol is to provide guidance that leads to the commitment of corporates to fight climate change. Today, the EAC market in Europe is a great success. Recognizing EACs and removing location-based method is an essential and effective nudge towards corporates.

Having two methodologies confuses corporates and more importantly their stakeholders. It incites corporates to hide behind a location based carbon factor that is inevitably less heavy than the residual mix.

31. Are there challenges in complying with the GHG Protocol Scope 2 Guidance requirements? If yes, please briefly describe the challenges as well as any potential solutions, industry-specific guidance, etc. that could address these challenges.

The EU legislation recognizes Guarantees of origin and residual mix as the only tracking system allowed. Therefore, corporates referring to the location-based emission factors are in breach of EU legislation. Thus, the location-based method should be prohibited by the GHG Protocol in the EU.

32. GHG inventory reporting can overlap and/or interact with regulatory policy mandates, state and federal subsidies, emission reporting or target-setting programs, etc. (e.g., see Scope 2 Guidance, Chapter 8.2 Reporting on the relationship between voluntary purchases and regulatory policies). Are there clarifications or changes in the Scope 2 Guidance that would simplify and harmonize complying with the Scope 2 Guidance and better align with regulatory policy mandates, programs, etc.? If so, please identify such interactions and share any potential solutions.

The Scope 2 guidance must align with national regulations. Wherever a residual mix is calculated and EACs are a legally recognised mechanism, the location-based method must be removed.



36. Based on the past seven years' worth of data, under the current market-based accounting framework, is there empirical support for the premise that market-based scope 2 accounting framework results in collective changes in low-carbon energy supply and global atmospheric GHG emission reductions? Please explain, including empirical justification on why or why not.

In the last seven years, demand for RES energy has grown drastically, especially in Europe. Therefore, the price of EACs (Guarantees of Origin) has reached a significant level (between 5 and 10€/MWh since 2022). As a result, European states received substantial amount of income for national budgets that can support the energy transition. Furthermore, the number of PPAs has increased. Finally, the public acceptance of the financial effort required by the energy transition is higher thanks to the involvement and communication of private actors that use EACs.

37. If necessary, are there changes to the market-based framework that can ensure rigorous accounting that demonstrates collective changes in low-carbon supply and global atmospheric GHG emission reductions? If unnecessary, why; If so, what changes?

Full consumption disclosure is a great improvement that leads to higher voluntary demand for EACs.

Furthermore, a clear and homogeneous calculation method that links power tracking with carbon emissions calculations should be put in place. We recommend that the AIB provides this calculation in Europe. A huge mistake would be to recognize hourly matching of EACs as an improvement. The old idea of hourly matching is based on a misunderstanding of the purpose of the power market that values grid balancing already.

38. Chapter 7, Criteria 4 “Vintage” states all contractual instruments shall “Be issued and redeemed as close as possible to the period of energy consumption to which the instrument is applied.” Common practice today is for an organization to match some amount of their annual electric consumption load with Energy Attribute Certificates (EACs) produced in the same reporting year.

Hourly matching of EACs is an old idea that has been abandoned for good reasons. Theoretically, the idea of hourly granularity is weak.



The aim of the power market based on the concept of balance responsibility is precisely to value the contribution of market actors in the balancing of the grid. The reason EACs were created is that providing information as to the origin of the production threatened the liquidity of the power market. EACs don't and shouldn't try to have the aim of balancing the grid. A market actor won't pay the high price of grid balancing twice because of the power market on one hand and because of the EAC on the other hand. As consequence, if hourly matching of EACs is asked by the GHG Protocol, consumers will reduce their carbon footprint on every cheap hour and leave the remaining hours with their carbon footprint. The value of EACs will drop and there won't be any additionality. As an example, the European market of Guarantees of Origin will collapse because of the GHG Protocol.

In practice, the implementation of hourly matching is a failure. Since the implementation of hourly matching is easy, this old idea has been experienced many times by power suppliers and labels. A good example is the German TUV SUD.

The Hourly matching idea remains because it seems intuitive and because some service providers hope to develop businesses. Intuitively, the sun doesn't shine at night. Therefore, how a consumer can be 100% green with solar panels? EACs systems accept this contradiction because of the understanding of the power market's existence and aim. Hourly matching of EACs is not only useless, but also dangerous. EACs won't replace the power market to value the grid balancing. It's not their aim. If the Greenhouse Gas Protocol (GHG Protocol) goes for hourly granularity, the voluntary EAC market is dead. This means RES will be less profitable. This means fewer PPAs. This means less private money in the energy transition.

39. Chapter 7, Criteria 5 "Market Boundaries" states all contractual instruments shall "Be sourced from the same market in which the reporting entity's electricity-consuming operations are located and to which the instrument is applied." Currently certificate market-boundaries encompass broad geographic regions such as entire continents and span multiple physical grid boundaries (i.e., see Scope 2 Guidance, page 64: "...markets for unbundled certificates have often been less constrained than those for electricity itself").



We agree that a certain physical reality should be respected.

In Europe, countries are small and well interconnected. Thus, recognizing the EU as a homogeneous area makes sense. Prohibiting areas that have no physical link is a good idea (e. g Iceland). Other regional markets should be treated the same way. Furthermore, countries using I-RECs should be able to use power coming from neighbouring countries that are interconnected.

We recommend that the GHG Protocol explicitly provides the information for all countries that are considered interconnected.



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