



## COLUMBIA GLOBAL ENERGY DIALOGUE

# The Future of the Greenhouse Gas Protocol: Workshop Series Summary

By Qëndresa Krasniqi and Jackie Ratner

Between October 2022 and February 2023, the Center on Global Energy Policy convened diverse economic stakeholders in a series of five workshops to discuss, under the Chatham House Rule, upcoming revisions to the Greenhouse Gas Protocol (GHGP) led by the World Resources Institute (WRI). The purpose of the series was to bring together various industries, sectors, and regional actors to discuss problems and pathways forward for the next generation of greenhouse gas (GHG) guidance. As WRI begins to develop work plans and form governance bodies that incorporate feedback<sup>1</sup> from surveys collected in the first quarter of 2023, a review of key themes from this workshop series is a timely reminder of the work ahead.

The event series employed a unique, cross-sectional approach to balancing multiple perspectives with a shared goal of emissions reductions. This group comprised 50 stakeholders from 29 organizations, and each organization sent a delegation of one to three representatives who alternated attendance at workshops in the series. Through this approach, each workshop represented similar sectors and most of the same stakeholder groups but benefitted from the perspectives of different individuals. The key recurrent themes from the five days of conversations are presented here.

This event summary reflects the author's understanding of key points made in the course of the discussion. It does not necessarily represent the views of the Center on Global Energy Policy. The summary may be subject to further revision.

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## I. Clarifying the Purpose of the GHGP

One theme that persisted from the very first workshop panel was that participants understood the main purpose and role of the GHGP differently. While participants agreed that the ultimate goal of the initiative is to drive emissions reductions eventually, disagreements arose around the immediate goal of the Protocol, the role it currently plays in the decarbonization journey, and the most effective design moving forward. Participants generally diverged into two opinions: the first highlighted the role that the GHGP has played and can play in the future by incentivizing action toward decarbonization; the second largely viewed the GHGP as an accounting methodology of GHG emissions that can allow for effective decision-making outside of the Protocol.

Those aligning with the first opinion suggested that the GHGP was initiated in service of changing corporate behavior. These participants referred to the role of the GHGP as providing a methodology for how to reduce emissions credibly. In order for this aspect of the Protocol to be effective, participants recognized it must facilitate both transparency and accurate reporting of emissions, from which companies can then draw targets and strategies.

The alternative opinion was that the immediate goal of the GHGP is to foster transparency, which then can be used to further drive emissions reductions. Proponents suggested that the main purpose of the Protocol is to ensure comparability through standardization of GHG accounting while being consistent with new initiatives and future mandatory requirements (such as the US Securities and Exchange Commission's Climate Disclosure Rule, the EU's Corporate Sustainability Reporting Directive, and the International Financial Reporting Standards). Participants also referenced many other initiatives in the decarbonization ecosystem (e.g., the Renewable Energy 100, the Science Based Targets Initiative, and the Carbon Disclosure Project) that can incentivize companies toward pathways of emissions reduction once reliable data show where the emissions are.

Among participants with this second view, some saw it as essential for the GHGP to move toward what they termed a "purely accounting" design that strictly ensures accurate and precise reporting of GHG emissions in order to build and maintain credibility and integrity. These participants explained that incentives can be created once credible numbers of GHG emissions are reported. Some participants suggested that it is necessary to sacrifice the accuracy of reporting to incentivize broader engagement from their industries, but others pointed out that without accurate accounting, incentives would be misleading or ineffective.

In the face of the tension between the GHGP's perceived purposes of incentivization versus fostering transparency, some speakers wondered whether the "attributorial" parts of the GHGP (i.e., the ones that help account for emissions and foster transparency) and the "consequential" parts (i.e., those meant to incentivize action) should be treated separately.



Overall, participants agreed that the Protocol has been useful in providing a common framework with shared definitions of and approaches to carbon accounting, and has served as a leveling tool for companies without in-house experts. Furthermore, speakers held that organizations have used the GHGP as a tool to empower them to create accountability systems, as well as to take first steps toward setting reduction targets. Some participants insisted that in order for the GHGP to continue to effectively guide corporate carbon reporting, more transparency around its governance and the decision-making processes is necessary.

## II. Shifting from Voluntary to Mandatory GHG Reporting

As mandatory reporting on GHG emissions becomes increasingly familiar, many participants acknowledged that universal mandatory reporting is a very likely scenario for the near future. Many insisted that mandatory reporting was the ultimate goal of initiatives such as the GHGP. However, there was little agreement on the specific role the GHGP would play in an environment of universal mandatory GHG reporting. Disagreements stemmed from the aforementioned divide on the purpose of the Protocol: while many stakeholders believed that the GHGP plays a vital role in guiding companies to do more than the bare minimum, others stated that the GHGP can play an effective role in mandatory reporting only if it is transformed into a proper accounting system.

Many participants expressed their reliance on the GHGP for guidance both in the current voluntary reporting system and in a hypothetical mandatory reporting environment. Speakers agreed that even in a mandatory reporting ecosystem, in the absence of guidance from the GHGP companies would likely regress to the “lowest common denominator.” More specifically, participants explained that the Protocol can provide vital guidance to companies by differentiating between best practices, acceptable practices, and the bare minimum, thus providing a pathway for industry leaders who want to effect more than the bare minimum. Other participants disagreed, stating that the GHGP is not a proper accounting system, and as such cannot facilitate mandatory reporting. Some expressed that relying on a system such as the current GHGP would substantially debilitate adequate third-party verification, in turn making mandatory reporting ineffective as well.

## III. Incentivizing GHG Reporting and Progress toward Emissions Reduction Commitments and Action

In light of changing market pressures and the anticipated shift toward mandatory reporting, participants emphasized the importance of incentivization and enforcement. Most agreed that GHG reporting could be made mandatory only alongside enforcement mechanisms, but that incentivization could be seen as an alternative tool in lieu of enforcement. Attendees identified several modes of incentivizing GHG reporting and making progress toward emissions reduction goals:



- **Competitive business advantages:** Numerous stakeholders with business operations focused on Scope 3 emissions expressed emphatic preferences for business partners with transparent GHG records. Several stakeholders cited examples of supply chain business dealings wherein vendors exceeding bare minimum GHG reporting requirements were selected as preferred suppliers or distributors.
- **Accounting beyond GHGP:** Many stakeholders believed that the ecosystem of GHG accounting frameworks beyond the GHGP will continue to evolve, and that guiding bodies beyond WRI will enact positive or negative incentives related to emissions reductions. Some stakeholders speculated that the thresholds for such incentives will likely continue to be based on the GHGP standards.
- **Sustainability-aligned business objectives:** Internal business objectives emerged in two forms during the discussions. First, several stakeholders predicted that as some business models shift to maintain competitiveness (e.g., moving from gas vehicles to electric vehicles), new business models may align better with overall sustainability goals. Second, several stakeholders described trends in their internal business operations that increasingly accommodate sustainability objectives (e.g., expanding operational capacity and resources dedicated to internal GHG accounting).
- **Sea change pressures:** Some participants speculated that as the GHG accountant workforce and assemblage of third-party verifiers grow, better GHG reporting will become de rigeur, irrespective of official mandates.

## **IV. Closing Loopholes: Ensuring Reported Numbers Match Actual Emissions**

In the first workshop, participants were asked to highlight the main pain points to be addressed in the GHGP, and many noted that making changes to prevent greenwashing was a priority. Speakers pointed to the use of Renewable Energy Certificates (RECs) that overstate carbon abatement values as an example of greenwashing. They highlighted the goal of closing reporting loopholes that allow discrepancies between reported emissions and actual emissions as a vital action item.

Participants generally agreed that the Scope 2 market-based model has successfully incentivized large-scale deployment of wind and solar generation and gigawatt-scale investments. However, they also expressed that Scope 2 accounting is no longer incentivizing adequate investments in terms of climate benefits, nor is it accurately measuring emissions from electricity use. Many participants felt that the discrepancies stem from allowing all RECs to be treated equally despite their different levels of impact. For example, speakers were concerned that RECs might ignore



the carbon content of the residual system mix of electricity sourced from the grid or temporal or geographical considerations in a manner that overstates environmental benefits.

While a few participants held that RECs inherently facilitate greenwashing, most participants demurred, saying that RECs as a tool do not necessarily constitute greenwashing but ways in which they are applied can and often do result in greenwashing. Participants described ways in which they report zero Scope 2 emissions using the current, market-based model while in fact utilizing mostly fossil-fuel-sourced electricity.

Nevertheless, most participants opposed a scenario that completely replaces market-based reporting, emphasizing the need to modernize the model instead. Key suggestions for modernizing Scope 2 reporting in service of closing loopholes that contribute to gaps between reported and actual emissions included adding more restrictive geographical and temporal criteria. Additionally, participants discussed classifying RECs based on criteria such as the carbon intensity of the grid at the time the RECs were produced, the ability of RECs to be deliverable to the load, or whether the REC purchases resulted in additional supplies of clean energy being delivered to the grid (a concept known as “additionality”).

In terms of time-matching energy production and consumption, participants suggested that hourly matching should be the goal, although seasonal matching would represent a major improvement over existing annual measures. Others disagreed, saying that all RECs would need to be bundled (in areas where electricity market rules facilitate bundled contracts) or screened for additionality if greenwashing loopholes are to be closed.

## V. Resolving the Purpose and Challenges of Scope 3 Reporting

Many participants identified current Scope 3 accounting as the most significant barrier keeping the GHGP from evolving into a proper accounting tool. Many participants explained that the GHGP currently allows companies to pick their own consolidation approach for Scope 3 reporting and noted that reports do not always specify the consolidation approach or boundaries used; many companies report different Scope 3 categories together instead of breaking them down for each category as intended. Given that the data needs to pass through many suppliers, who can each use different approaches and boundaries, reporting and comparing Scope 3 emissions effectively and consistently becomes impossible, participants explained. Speakers pointed out that these lax reporting requirements also enable companies to opt for approaches that allow them to present themselves as greener than they actually are, presenting an easy avenue for greenwashing.

A minority of participants suggested that Scope 3 downstream emissions reporting cannot be part of an accounting tool. However, others noted that removing downstream Scope 3 reporting

rescinds an important tool to account for financial institutions' emissions, most of which are recorded as downstream emissions.

Participants stated that one of the main goals of Scope 3 emissions reporting is to incentivize companies to reduce their emissions using market forces. More specifically, speakers argued that the Protocol might encourage companies that do not take responsibility for their embedded emissions to begin doing so through Scope 3 reporting.

Participants also explained ways in which Scope 3 reports helped improve accountability and empowered them to demand more from their own companies and their suppliers. Speakers provided examples of how they used Scope 3 reports to negotiate with suppliers for greener products or to advocate for other changes within their companies that led to emissions reductions.

Some participants argued that collecting data on Scope 3 emissions helps companies identify where most of their emissions impact is (e.g., if most emissions come from the downstream use of products, the entity's investment portfolio, or elsewhere). These individuals argued that such spotlighting is key in helping organizations focus and prioritize high-impact areas for emissions reductions.

Additionally, participants debated whether companies have control of their downstream Scope 3 emissions or are able to calculate them accurately. However, some speakers pointed out that for key industries such as oil and gas, companies can both calculate and affect the downstream emissions of their products.

Finally, there was a general consensus on the need to revise the treatment of upstream and downstream emissions on a sector-by-sector basis and for additional sector-specific guidance for Scope 3 emissions.

## VI. Ensuring Data Accessibility and Accuracy

Though many stakeholders from a variety of sectors referenced GHG data availability and accuracy throughout the workshop series, it was a small subset of academic and data provider stakeholders that drove the majority of opinions referenced in the topic. These attendees highlighted primary versus secondary data, upstream versus downstream data collection and controls, and methods for incrementally improved data collection and reporting.

Stakeholders across sectors generally agreed that primary data is a gold standard, the use of which should nearly always supersede secondary data. It was nearly unanimous that primary data should be the only acceptable data type for measuring Scope 1 GHG emissions, but consensus waned at Scopes 2 and 3 due to challenges in upstream or downstream data collection (especially for Scope 3 reporting).



A minority of participants held that companies could not or should not be held responsible for downstream data collection (primary or secondary). A lukewarm consensus was found for accepting secondary data through value chain reporting while encouraging the transition to primary data (through incentivization tactics described above). Several academic stakeholders posited that accounting primary data, upstream, from cradle to grave would take approximately three to five years, but would eventually supplant the need for any secondary data in the downstream value chain.

Two notable methods were brought up when discussing how to address the above-mentioned data-related challenges: The first was the e-liability GHG accounting system, which is based on standard financial and cost accounting practices combined with climate science and blockchain technology. The second was a series of lookup tables that would allow pre-calculated proxy coefficients for GHG emissions, determined by sector, product, and/or service area, to stand in for primary (or secondary) data until more precise measurements could be sourced.

One of the most notable hesitations against mandating or otherwise incentivizing primary data usage pertained to the inequities inherent in data availability. Stakeholders with global perspectives frequently described the predictable challenges that would arise in developing economies should primary data and the resources required to source it become compulsory. Participants were nearly unanimous in agreeing that this particular inequity is significant and a likely barrier to global standards if not incorporated into future thinking about the GHGP.

## Conclusions

Six themes ran throughout all five workshops. These themes indicate prevailing concerns and opinions articulated by a broad cross-section of stakeholders whose business intersect with the Greenhouse Gas Protocol. The list highlights what participants discussed as main areas for consideration as the GHGP revision process gets underway in pursuit of revised guidance by 2025:

### I. Clarifying the Purpose of the GHGP

- Participants agreed that the GHGP provides useful accounting frameworks with shared definitions and approaches essential for setting reduction targets and strategies.
- Participants agreed the GHGP has played a significant role in incentivizing action but disagreed on whether the primary function of the Protocol moving forward is to directly incentivize action or guide accounting practices.
- Participants suggested that in order to effectively be in service of decarbonization moving forward, the GHGP might prioritize providing a comprehensive accounting methodology

to foster transparency, enable standardization and comparability, and clearly separate its accounting framework from its incentivization guidance.

## II. Shifting from Voluntary to Mandatory GHG Reporting

- Multisector stakeholders agreed that the GHGP could provide guidance on best practices in a mandatory reporting regime.
- Many participants suggested that the GHGP cannot facilitate mandatory reporting unless it adopts an accounting system methodology and overall purpose focused on accounting.

## III. Incentivizing GHG Reporting and Progress toward Emissions Reduction Commitments and Action

- Some participants opined that enforcement may not be the sole means of driving increased reporting or engagement for emissions reductions, highlighting that incentives have an important role to play even in a future with mandatory reporting.
- Most participants agreed that incentivization alternatives should be developed as a pathway toward mandated reporting, which remains the long-term goal for standardizing GHG accounting.

## IV. Closing Loopholes: Ensuring Reported Numbers Match Actual Emissions

- While Scope 2 market-based accounting has incentivized large-scale deployment of wind and solar generation, stakeholders generally agreed that present guidelines do not measure emissions correctly nor adequately incentivize investment.
- Speakers largely agreed that the market-based model needs modernizing, not replacing.
- Participants proposed that a successfully revised accounting methodology would likely integrate new considerations of residual system mix.
- Speakers saw the inclusion of geographical and time-based criteria as necessary first steps toward more effective reporting.

## V. Resolving the Purpose and Challenges of Scope 3 Reporting

- Some participants highlighted the limited control companies have of their overall Scope 3 emissions and their ability to reduce them; others insisted that the limited power of each company to directly affect their Scope 3 emissions does not diminish the importance of counting these emissions.





- Among those who saw value in continuing to report Scope 3 emissions, standardizing boundaries and categories was seen to be an important first step. These participants acknowledged that initial Scope 3 assessments may help to determine sector-specific emissions guidance.

## VI. Ensuring Data Accessibility and Accuracy

- Primary data is generally considered superior and thus preferred to secondary data or proxy coefficients, especially for Scope 1 emissions. However, many participants noted that requiring primary data may present barriers to entry for under-resourced regions or companies.
- Speakers noted that tools like e-liability can be used as accounting methodologies to solve Scope 3 value chain misallocations and double (triple, etc.) counting of emissions. Another tool proposed by participants was lookup tables that can serve as an intermediary step on the path to primary data collection.

## Note

1. World Resources Institute, “Scope 2 Survey—Preliminary Areas of Interest,” Greenhouse Gas Protocol Standards Update Process, accessed May 5, 2023, [https://ghgprotocol.org/sites/default/files/2023-05/Topline%20Findings%20from%20Scope%202%20Feedback%20Webinar\\_GHG%20Protocol\\_05.02.2023.pdf](https://ghgprotocol.org/sites/default/files/2023-05/Topline%20Findings%20from%20Scope%202%20Feedback%20Webinar_GHG%20Protocol_05.02.2023.pdf).

## About the Authors

**Qëndresa Krasniqi** is a Research Associate conducting analysis focusing on the role of long-term energy inequity on social vulnerabilities and disaster resilience. She will support research activities related to energy justice and equity pertaining to energy transition and resilience building. Her experience also includes analysis of the racial and income inequities as well as the public health impacts of power outages and energy insecurity.

Qëndresa holds a Master in Public Administration in Development Practice from Columbia University’s School of International and Public Affairs, and a Bachelor of Arts in Financial Economics from Methodist University. Previously, Qëndresa has taught Economics and worked in policy analysis and mixed methods research with the IPCC, the World Food Programme (WFP) and the European Stability Initiative (ESI).

**Jackie Ratner** is Director of Research Administration at the Center on Global Energy Policy. She draws from her career as a researcher to lead a team of program and project managers in developing processes and procedures that facilitate research at the Center.



Before joining CGEP, Jackie was Senior Project Manager at the National Center for Disaster Preparedness, another think tank at Columbia University. She managed a portfolio of applied research and consulting projects contributing to disaster risk reduction, decision support tools, and business intelligence for clients in industry and government. She has been an American Geophysical Union science policy fellow, a DAT/Artathon data visualization fellow, and international contributor to science outreach and communication initiatives. Drafted under her leadership, the issue brief series for Resilient Children Resilient Communities was recommended as a policy resource to the Biden Presidential transition team. Prior to joining Columbia, she led the non-profit sector in two counties through cooperative long-term disaster recovery after Superstorm Sandy. Earlier research focused on utilizing crowd-sourced structure-from-motion as a solution to volcanic hazard GIS data scarcity in Latin America, undertaken during DPhil studies at the University of Oxford. Her BS with honors in environmental geology was earned at UNC Chapel Hill with a research minor in marine science.

## Acknowledgments

The Center on Global Energy Policy gratefully acknowledges the partnership of dialogue facilitators Kite Insights and student research workers Riley Chodak, Tom Jouvét, Augustin LaCroix, Noyna Roy, and Jiani Wang.

This series was not commissioned, sponsored, or supported by WRI in any way.



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