Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219

Response from the University of Edinburgh Business School

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Question 7. Entities must measure and report their emissions of greenhouse gases in conformance with the GHG Protocol, which allows for flexibility in some areas (i.e. boundary setting, apportioning emissions in multiple ownerships, GHGs subject to reporting, reporting by sector vs business unit, or others). Are there specific aspects of scopes 1, 2, or 3 reporting that CARB should consider standardizing?

Response:

The GHG Protocol is currently in the process of updating its 'Scope 2 Guidance' and it may therefore address the problems detailed below in the near future. However, we would recommend that CARB require the reporting of additional information in relation to 'market-based' scope 2 emissions in order to ensure that the users of GHG disclosures are able to correctly interpret reported scope 2 results.

The GHG Protocol's current scope 2 market-based guidance allows companies to purchase energy attribute certificates (EACs) from renewable generation facilities and report their GHG emissions as zero. This is highly problematic for at least two reasons:

a. In many cases purchasing EACs does not increase the amount of renewable energy that is generated. This means that consumers and investors wishing to support companies that have actively reduced emissions will be misled by current market-based GHG reporting. Evidence on the lack of impact from EAC markets is available here: https://www.bccas.business-school.ed.ac.uk/impact-and-collaboration/renewable-energy-purchasing

b. Current market-based accounting allows companies to purchase EACs from generation that is not on the same grid or occurring at the time as consumption. E.g. a company can buy an EAC from solar generation in the summer from Hawaii to claim against consumption in California in the winter. This means that the GHG report will not accurately reflect the emissions caused by the reporting company's operations, and so is unlikely to provide meaningful information to investors for assessing exposure to climate-related transition risk.

It is not yet clear to what extent the GHG Protocol's revision process will resolve these issues. Nevertheless, in order to address these problems we recommend that CARB require the following supplementary disclosures:

Disclosures related to additionality:

1. Which types of contractual instruments the reporting company uses (e.g., power purchase agreements, utility green tariffs, unbundled certificates) and the percentage of the total purchased electricity covered by each instrument;
2. The date that the renewable generation facility was commissioned or repowered;
3. Whether the renewable generation facility receives government subsidies or other support;
4. The length of the contract for the contractual instruments;
5. Whether the contract was signed before the investment decision to build the renewable generation facility.

Disclosures related to deliverability:

6. Whether the EACs are from generation occurring at the same time as consumption;
7. Whether the EACs are from generation facilities on the same grid as the location of consumption.

These suggested disclosures are aligned with the forthcoming update to the Global Reporting Initiative's guidance for climate change disclosures. They do not conflict with those of the current GHG Protocol guidance, but they provide sufficient information to the users of GHG reports to determine the accuracy and relevance of current market-based GHG disclosures.