

GHGP SCOPE 2 GUIDANCE

PUBLIC CONSULTATION

EFRAG CONTRIBUTION

SR TEG 22 January 2026



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Background

GHG Protocol Public Consultations

Deadline: 31 January 2026



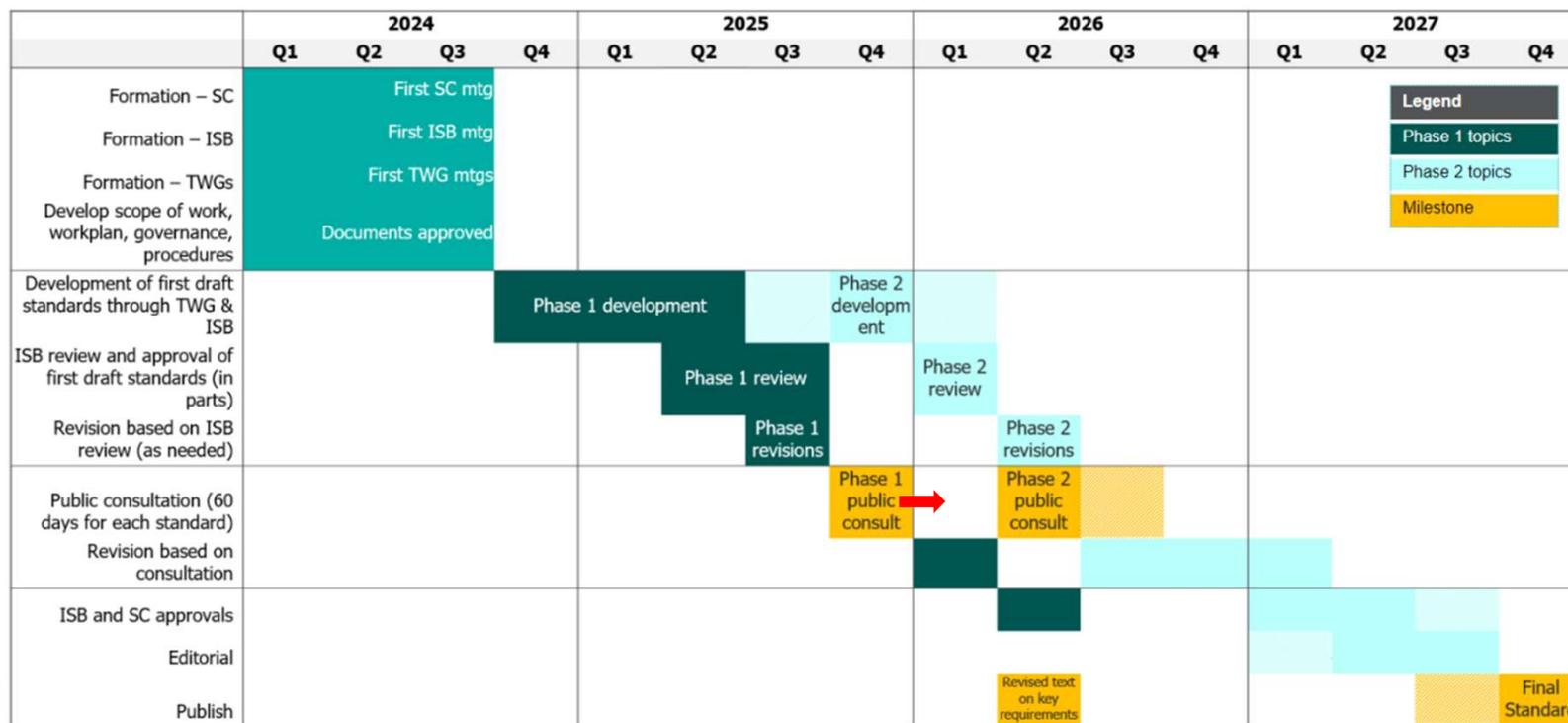
**Scope 2 Public Consultation
[INVENTORY ACCOUNTING]**

PROPOSED PRIORITY



**Electricity-Sector Consequential
Methods Public Consultation**

TIMELINE – SCOPE 2 REVISIONS



Draft workplan and timeline (the timeline is subject to change throughout the standard revision process)

Image: Greenhouse Gas Protocol (2025), Upcoming Scope 2 public consultation: Overview of revisions.



EFRAG approach and proposed plan of response

PROJECT TIMELINE

Timeline

December 2025 – 16 January

- Assessment of third-party comments published
- TEG: 18 December 2025 (closed session)
- Outreach to selected stakeholders and engagement via interviews

19 January – 23 January

- Continuation of stakeholder engagements and interviews
- SRB: 21 January 2025 (closed session)
- TEG: 22 January 2025 (public session)

26 January – 31 January

- Consolidation of final comments
- SRB 28 Jan 2026 - public session
- Submission of comments to GHG Protocol

The timing of the consultation and the concurring deadlines on the due process for completing the simplification of ESRS did not allow to submit the comments of EFRAG to European constituents, differently from the usual due process adopted in these cases.

STAKEHOLDER VIEWS ANALYSED

Stakeholder types interacted with (total 20):

- Standard setting initiative: 4
- National standard setter: 1
- Preparers: 4
- Auditors/consultants: 2
- Government administration bodies: 4
- EAC retailers: 2
- Electricity labels: 1
- Certification system: 3

Letters and positions analysed:

- Technical Advisory Committee (UK)
- RECS (NL)
- CRS (US)
- ACORE (US)
- BCSE (US)
- QuiEstVert (FR)
- SE advisory services (FR)
- SSAF (US)
- RESurety (US)
- WattTime (US)
- Vattenfall (SE)
- EY (UK)
- AEA (AT)



Public Consultation Revision Topics

KEY AREAS OF CONSULTATION

Scope 2 Guidance: Key revisions for public consultation		
<p>The structure of the updated scope 2 reporting framework will remain the same, including a continuation of the dual reporting requirement for both the location-based and market-based methods.</p>		
Location-based method	Market-based method	Implementation measures for feasibility
<ul style="list-style-type: none">  Update to the location-based emission factor hierarchy  Requirement to use the most precise location-based emission factor <i>accessible</i> for which activity data is also available.  Definition of accessible: publicly available, free to use, from a credible source 	<ul style="list-style-type: none">  Hourly matching: require that all certificates be matched on an hourly basis  Deliverability: require that all certificates are sourced from generation deemed deliverable  Standard Supply Service (SSS): New guidance and requirement that a reporting entity shall not claim more than its pro-rata share of SSS  Updated definition of residual mix and where no residual mix is available, use of fossil only rates 	<ul style="list-style-type: none">  Load profiles to translate annual or monthly data into hourly data  Exemption thresholds for organizations under a threshold  Legacy clause and other transition tools are being considered for existing investments  Phased implementation rules are being considered to facilitate a smooth transition to new requirements
<p>Public consultation will include questions related to estimating avoided emissions of electric sector actions using consequential methods to support the Actions & Market Instruments TWG, which is advancing standardized, sector-agnostic requirements for quantifying and reporting impacts such as avoided emissions.</p>		

Image: Greenhouse Gas Protocol (2025), Upcoming Scope 2 public consultation: Overview of revisions.

General comments

- EFRAG acknowledges substantial work undertaken in revision of Scope 2 Guidance and welcomes the ambition of improving comparability and accuracy of Scope 2 measurement.
- EFRAG Secretariat believes that given the importance of GHG Protocol as a reference within existing regulations, it is recommended that future consultations, such as GHG Protocol Corporate Standard and Value Chain Standards, are consistently carried out for a minimum 120 days period.
- EFRAG Secretariat expresses concern about complexity and cost-effectiveness balance of the revision, reinforcing the need to pilot the guidance before full rollout (not foreseen in plan). Stakeholders have expressed the views that a cost-benefit analysis should be done on some of the key changes being proposed (requirement for most precise EF; hourly matching).
- It is noted that in some instances, consultation introduces a challenge of commenting on directional proposals without complete draft text. It is suggested to consult concrete amendments to existing guidance rather than high-level direction only.
- Conceptually, EFRAG Secretariat recommends that GHG Protocol defines principles, leaving technical definitions (e.g. grid boundaries, SME's and emission factors) to jurisdictions to ensure practical implementation.
- It is noted that key concepts across GHG Protocol documents can vary, e.g. 'comparability' (e.g. 'comparability' as a principle vs. an explicit purpose) may risk misalignment and confusion.



Definition and purpose
of LMB and MBM

Purpose (LBM, MBM) and definitions (Scope 2, LBM, MBM)

Definition of Scope 2

From “Scope 2: Electricity indirect GHG emissions - scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.”

→ *The proposed revision is to refine the definition of :*

- *scope 2 emissions within an attributional value chain GHG inventory must only include emissions from electricity generation processes that are physically connected to the reporter’s value chain and exclude any unrelated emissions;*
- *LBM: emissions should reflect generation physically delivered at the times and locations where consumption occurs and explicitly recommend that imported electricity should be included in location-based emission factor calculations;*
- *MBM: retain the contractual instrument as the basis for allocation while specifying temporal correlation and deliverability requirements for matching the underlying electricity to the reporter’s consumption.*



GHGP proposal ties attributional/inventory methods to physical aspects of electricity: time matching of delivery and consumption; constraining electricity sourcing area. Rationale is to approximate to ‘physical reality’.

Purpose (LBM, MBM) and definitions (Scope 2, LBM, MBM)



STAKEHOLDERS VIEWS

The changes can:

- increase complexity and cost;
- reduce feasibility and auditability;
- And may conflict with policy-driven objectives.



- Definitions of ‘physically connected’ and ‘physically connected to the value chain’ are unclear making assessment of direction of travel problematic.
- Tracing the physical origin of electricity is complex and most often infeasible.
- Unclear whether ‘electricity’ is used as shorthand for electricity, heat, steam and cooling, as per Scope 2 Guidance.



The choice of what physical proxy to use for physical connected (time, grid, bidding zone, market coupling regions) is a policy choice (not a neutral technical one) and should be left to jurisdictions



CBAM regulation (published 10th Dec 2025) allows for MBM PPAs only if (a) direct connection; (b) TSO or other entity showing no congestion between production and consumption points.



Location-based method

LBM | EF Hierarchy



GHG PROTOCOL CHANGES

Proposed updates to the location-based method requirements centre on a new emission factor hierarchy that provides more guidance on spatial and temporal granularity.

Reporters must use the most precise location-based emission factors on the hierarchy accessible to them and matched to the same precision of their available activity data. Reporting organisations would be directed to prioritise emission factors using the most precise location information (i.e., spatial boundary) first, followed by the most precise time matching (i.e., temporal granularity).



STAKEHOLDER VIEWS

National standard setters

- Hierarchy will increase the heterogeneity of reporting and will prevent comparability.

Standard setting initiatives

- Trade-off between flexibility and comparability. The notion to solve this trade-off is transparency.

Auditors

- The level of granularity GHGP proposes is too difficult to be achieved.

Preparers

- Some support the idea of promoting the most accurate, precise and accessible emissions factors. Others concern with global availability and heterogeneity of EF sources, preferring consistency of factors globally (e.g. IEA EFs).

Other

- Rephrase to 'most granular EF available' (flexibility) OR have EF hierarchy has guidance and requirement as a recommendation for programmes/jurisdictions.



EFRAG TENTATIVE DIRECTION

- Concerns that this could hinder comparability and may place indirect pressure on emission factor providers to deliver data they currently cannot supply.
- We consider the primary role of the LBM to be an accessible entry point for all reporters globally. Therefore, it should remain simple and limited in complexity.
- Will likely increase cost of preparing and auditing LBM figures. CBA should be done or undue cost and effort considered.
- Requirement to use most granular EF available should become a recommendation for programmes/jurisdictions to implement as they see possible.



Balance between precision and practicality/cost is not right.

LBM | Definition of ‘accessible’



GHG PROTOCOL CHANGES

A new concept of *accessibility* is introduced for emission factor sources.

Proposed revision text:

*‘Accessible emission factors are those that are: publicly available, free to use, and from a credible source (such as a government agency, system operator, or recognized registry). If a higher-quality factor exists but is not publicly available or requires payment, it **may** be used, but it is not required even if it ranks higher in the hierarchy.’*



STAKEHOLDER VIEWS

National standard setter: Need for a more thorough definitions of what a credible source is (criteria to assess it)

Standard setters: More accurate reporting is supported, but unsure on the cost of application; trade-off accuracy/cost not appropriate

Preparers: National authorities should provide accessible and credible datasets; GHGP should give priority to credibility not to accessibility; suggestion to use EU datasets for EU companies, while non-EU companies could use IEA.

Auditors: Invest some money into combining a database of the basic EF and giving it for free to companies.



EFRAG TENTATIVE DIRECTION

- Concern about 'free to use' as not necessarily the least burdensome/costly (notion of undue cost and effort).
- Recommend ‘Credible sources’ to rely on qualitative criteria (ESRS approach) instead of a list
- Jurisdictions/programmes to provide EF’s (considering hierarchy) and EF’s data sets fulfilling quality criteria
- Hierarchy can be useful guidance to map and inspire definition of EFs, but requirement specifying level should be set by jurisdictions considering their realities.



EU should have a single source for EU wide annual average EF as well as residual mix EF’s.



Market-based method

MBM | Quality Criteria 4 – Hourly Matching



GHG PROTOCOL CHANGES

Require organisations using contractual instruments to match them to electricity consumption hourly. This requirement would apply only to contractual instruments not to totals reported using residual mix or other default factors.



EFRAG TENTATIVE DIRECTION

Recommend that the GHG Protocol allows flexibility and promotes transparency without mandating strict temporal requirements for contractual instruments.



STAKEHOLDER VIEWS

- Infrastructure and registry systems not setup for new rules (**Service Provider, Energy Producer**)
- Increased operational complexity to match consumption hourly (**Energy Producer, Service Provider**)
- Existing mandatory laws and regulations do not require this level of granularity (**Service Provider**)
- Concern about additional cost vs. actual benefit (**Energy Producer, Service Provider, Standard Setter**)
- Scientific integrity of hourly matching is unproven (**Service Provider, Energy Producer**)
- Not technology neutral option: nuclear energy likely the only 'carbon free' energy that could achieve this (**Service Provider**); Negative impact on specific renewable sources while favouring others (**Standard Setter**)
- Limited data availability at the level of granularity being required (**Standard Setter**)
- Significant market disruption and fragmentation (disincentive for investment) (**Energy Producer**)
- Conflicting with EU simplification agenda (**Energy Producer**) and existing regulations (**Service Provider**)
- Procurement becomes difficult with such specific temporal requirements (**Energy Producer**)
- Improves accuracy and better reflects actual energy usage of companies (**Other***)
- Comparability of data and information may become more challenging (**Other***)
- Phased implementation (> 36 months) and a legacy clause would be necessary (**Other***)
- GO registries in EU not prepared; doing it could require > 5 years at best (**Service provider**)

* Other includes government entities and industry associations.

MBM | Quality Criteria 5 – Deliverability



GHG PROTOCOL CHANGES

Criterion 5. Market Boundaries and alternate methodology for deliverability: *All contractual instruments used in the market-based method shall be sourced from generation that is deemed deliverable to the consuming load. Deliverability shall be demonstrated using one of the approved methodologies listed in the table Proposed methodologies for demonstrating deliverability [defined zonal boundaries].*



STAKEHOLDER VIEWS

- Physical tracking from generation to consumption not possible (Service Provider), can lead to lower climate impact **(Standard setter)**
- Should remain voluntary: can be a value driver, but it should be a consumer choice **(Service Provider)**; granular market boundaries should be voluntary **(Standard Setter; Energy Generators)**
- Should remain possibly close to physical network to avoid false claims **(Standard setter)**
- EU bidding zones as a boundary not compatible with reality of the market; at odds with the principle of free internal trade within the EU/EEA **(Service Provider)**
- Concern about misalignment with RE100, CDP **(Service Providers)**;
- Concern about risks fragmenting the EU market and undermining market liquidity for RECs/GoOs. **(Energy Generators)**; complexifying and undermining procurement **(Service Providers)** risk of rolling back climate ambition **(Standard Setters)**
- Comparability of data and information may become more challenging **(Government entities)**.



EFRAG TENTATIVE DIRECTION

Requirements are complex with practical implementation challenges. There are concerns around feasibility and the potential risk to renewable investments.

Recommend that the GHG Protocol defines principles, delegating technical boundary definitions to jurisdictions reflecting regional market realities.



Hourly matching and market boundary requirement may undermine current mainstream forms of support to RE markets (PPA) in Europe.

MBM | NEW GUIDANCE FOR STANDARD SUPPLY SERVICE



GHG PROTOCOL CHANGES

- provide new guidance for Standard Supply Service (SSS)
- clarify requirement that a reporting entity shall not claim more than its pro-rata share of SSS.
- If a reporting entity chooses not to claim its share, that portion shall not be transferred or used to substantiate claims by another reporting entity, helping prevent inflated or duplicative reporting.



STAKEHOLDER VIEWS

- Different interpretation of the SSS
- Lack of clarity (definition of SSS, method of allocation)
- Concerns of regional availability/inconsistencies
- Data availability
- Risk of double counting (EAC treatment, if default SSS designation possible)



EFRAG TENTATIVE DIRECTION

- Request to better define the challenge for EU markets are competitive markets; notion of SSS needs to be translated into EU reality (e.g. what to do with GO's from capacity with FIT)
- In case of FIT this should/can be a policy decision by governments and usually are retained by gov and excluded from volunteer market
- Convey concerns and suggest limiting its scope to certain assets / preparers

MBM | Updated definition of residual mix emission factors



GHG PROTOCOL CHANGES

The proposed updated definition would address that Standard Supply Service should be excluded from the residual mix along with contractual instruments voluntarily claimed. The proposed update would clarify that while residual mix emission factors should reflect the highest temporal precision available for the relevant market boundary, hourly matching is not required.



STAKEHOLDER VIEWS

- Support to the new definition (Non-profit organisations, data providers)
- A significant effort should be made by relevant statistical and energy organisations to better calculate emission factors of the residual mix (without EACs). At present, they are not enough accessible and robust (Business association)



EFRAG TENTATIVE DIRECTION

- In EU if a FIT exists the GOs are accounted in the residual mix of the country (not transferred outside) [so exactly the opposed of what is being proposed – To be confirmed]
- GHGP should require use of the residual mix, but not prescribe a methodology
- Confirm residual mix is calculated annually in the EU and that reflecting the highest temporal precision not currently feasible (TBC)

MBM | Fossil-based emission factors



GHG PROTOCOL CHANGES

Where no residual mix is available, the proposed revision is that fossil only grid average or fossil emission factor is used instead. This would entail that grid average emission factors are no longer used under the market-based method.



STAKEHOLDER VIEWS

- Premature hourly matching forces fossil-only emission factors; Valid renewable purchases would be excluded from reporting. **(Non-profit organisation)**
- Fossil-based factors ensure conservative reporting and avoid double counting **(Data provider)**
- The fallback of using only an emission factor based on fossil fuels is NOT acceptable. It should at least include nuclear electricity but no renewable electricity sources **(Business association)**



EFRAG TENTATIVE DIRECTION

- In EU there is no residual mix hourly available → this would imply that all consumption not able to be met by renewables could have to use a FF EF → not accurate or acceptable
- Recommend considering other non-renewables in the definition
- Recommend that GHGP requires that a “default emission factor” representative of the grid (excluding tracked attributes)
- Leave choice of EF’s to jurisdictions → in EU priority could be to have GO system for all electricity (including fossil) NOT the definition of a default fossil fuel factor (TBC)

Exemptions | hourly matching exemption threshold



GHG PROTOCOL CHANGES

Proposes an exemption so organizations that meet defined eligibility thresholds are not subject to the proposed update to Quality Criteria 4.

Organizations that qualify for this exemption may use a monthly or annual accounting interval instead of hourly for Quality Criteria 4 for operations within the exempt boundary.

The proposals under consideration for defining exemption eligibility includes thresholds based on the volume of electricity consumption in each grid region and/or based on company size.



STAKEHOLDER VIEWS

- Strongly opposed to hourly matching EACs and calls for their full exemption (**Preparer**)
- Hourly matching should be made optional, and as such, there should be no exemption needed; The exemption design (company-size thresholds, phased implementation to 2030, and profiling provisions) provides a pragmatic transition that smooths implementation impacts, though stakeholders continue to call for a more robust long-term approach. (**Non-Profit**)
- Does not support mandatory hourly matching; instead proposes making hourly matching optional, as exemptions would be necessary due to feasibility constraints and mandatory requirements with thresholds would add complexity and reduce comparability. (**Data Provider**)



EFRAG TENTATIVE DIRECTION

- Concern about the pre-defined thresholds for SME potentially conflicting with local jurisdictional definitions
- Supports the new definition although it considers it ambiguous and requires further clarity
- Hourly-matching should not be required → so exemptions should not be necessary

Clauses | Legacy clause considerations



GHG PROTOCOL CHANGES

GHGP is currently considering a legacy clause as a transition option to ensure continuity in scope 2 MBM reporting for qualifying legacy investments. Consequently, the GHGP consultation invited stakeholder feedback on the appropriateness of including a legacy clause and on its potential design (eligibility criteria, effective date, etc.)



STAKEHOLDER VIEWS

Auditors

- Suggestion to implement a time limit for using legacy contracts in GHG accounting
- Suggestion to require disclosure of the Scope 2 GHG emissions portion covered by legacy clauses

Non profit organisations

- Supports the idea of having a legacy clause

Preparer

- Suggestion to have legacy clauses matching the term of PPAS, long-terms EAC, green tariffs
- Suggestion to consider the signatory date and not on the commercial operation date

Preparers and business association:

- Suggestion to allow companies to continue using the current MBM for their ongoing climate commitments for 2030.



EFRAG TENTATIVE DIRECTION

[to be discussed]

PPAs | Potential Financial Reporting Implications



GHG PROTOCOL CHANGES

The consultation includes targeted questions on potential financial reporting implications when accounting for nature-dependent electricity contracts, with reference to IFRS 9 own-use and hedge accounting, and IAS 37 onerous contracts.



STAKEHOLDER VIEWS

General

- Limited feedback has been received from stakeholders on this matter.
- Standard setters had not yet formed a view due to resource constraints.

Membership Organisation

- Concern that hourly and geographic matching are more stringent than IFRS and US GAAP, creating an overall impact that is indirect but material.
- Could influence how PPAs are structured, how hedge-accounting relationships are supported, and how own-use eligibility is evaluated.
- Introduces a higher level of reporting granularity and additional operational and documentation burdens beyond IFRS/US GAAP.

Government Regulatory Body

- Concerns on the ability to apply the IFRS 9 'own use' exemption, and therefore having contracts classified as derivatives (incurring additional costs and income statement volatility).
- Additional hedge accounting complexity when using virtual PPAs as a hedging instrument.
- Unintended consequence that a PPA becomes an onerous contract (IAS 37) if the economics become unfeasible (unavoidable costs exceed economic benefits).
- Proposed legacy clause may resolve some issues, but long-term implications need to be considered.



EFRAG TENTATIVE DIRECTION

EFRAG Secretariat SR and FR teams are currently discussing the implications (if any). To be confirmed pending internal discussions.



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THANK YOU

External position papers and initial positions published

- RECS Energy Certificate Association (NL)
- Schneider Electric Advisory Services (Europe/Global)
- UK Sustainability Disclosure TAC (UK)
- Energy Tag (UK)
- Qui Est Vert (France)
- CSR - Center for Resource Solutions (US)
- REsurety (US)
- RECS Int.
- EY



Public Consultation – Scope 2
Skeleton text for RECS’ response

Blue font is the text on the consultation document
 Suggested answer selections are in green

(The first 17 questions are about the organization submitting the response)

18. Please provide any feedback on the proposal to refine the definition of scope 2, to emphasize its role within an attributional value chain GHG inventory and clarify that scope 2 must only include emissions from electricity generation processes that are physically connected to the reporter’s value chain, excluding any emissions from unrelated sources?

Please note that feedback on specific changes to the location- and market-based method can be provided in sections 4 and 5.

The proposed scope 2 definition update claims to clarify that scope 2 must only include emissions from physically connected generation. However, this is a fundamental point which RECS wishes to challenge. Physical connection between electricity production and consumption must reflect how electricity systems and markets operate.

Electricity markets operate through traded balancing responsibilities, not the transfer of physical electrons. Electricity does not move through the grid as a directed flow, it moves as untraceable electromagnetic current. System operators balance frequency, which they continuously manage without

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UK Sustainability Disclosure
 Technical Advisory Committee

AGENDA PAPER 4

Executive summary

Date	09 December 2025
Paper reference	2025-TAC-054
Project	GHG Protocol Revisions
Topic	Scope 2 guidance consultation – TAC’s draft response
Objective of the paper	

This paper presents the draft letter and responses to the online survey regarding the GHG Protocol’s proposed revisions to the Scope 2 guidance. This paper also presents a draft letter to the ISSB which outlines areas in the GHG Protocol consultation that the ISSB should be aware of and engaged with.

CRS

CRS Guidance for Participation in the GHG Protocol Scope 2 Update Public Consultation

The GHG Protocol’s proposed updates to scope 2 accounting rules could significantly affect how renewable electricity is purchased, claimed, and valued, with direct implications for the voluntary market and revenues from renewable energy certificate (REC) sales. CRS encourages all renewable energy owners and operators, and buyers and sellers, to [review the proposed updates](#) and share feedback before the **December 19, 2025 deadline**.

CRS supports updates that improve data quality and transparency, but opposes changes that limit participation, reduce market flexibility, or create inaccurate accounting outcomes. This document includes messages related to two areas of support and three principal areas of concern that may be incorporated into your own responses.