



July 29, 2022

Emmanuel Faber, International Sustainability Standards Board (ISSB) Chair
International Financial Reporting Standards (IFRS) Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD
UK

RE: COMMENTS OF CENTER FOR RESOURCE SOLUTIONS ON EXPOSURE DRAFT CLIMATE-RELATED DISCLOSURES

Dear Chair Faber,

Center for Resource Solutions (CRS) appreciates this opportunity to provide comment on the ISSB's March 2022 Exposure Draft IFRS S2 Climate-related Disclosures (hereafter "Exposure Draft"). Below, please find our responses to selected Questions for Respondents including our comments and recommendations.

Introduction to CRS

CRS is a United States-based 501(c)(3) nonprofit organization, established in 1997, that creates policy and market solutions to advance sustainable energy. CRS has been instrumental in the development of state/provincial, regional, and national renewable energy policies and markets through national and international programs that provide technical guidance to policymakers and regulators at different levels on renewable energy and greenhouse gas (GHG) policy design, accounting, tracking and verification, market interactions, and consumer protection. CRS also administers the Green-e® programs, the largest of which is Green-e® Energy, the leading independent certification for voluntary renewable electricity products in North America. In 2020, Green-e® Energy certified retail sales of over 90 million megawatt-hours (MWh), serving over 1.4 million retail purchasers including over 104,000 businesses. Nearly half of all installed wind capacity in the United States is supplying Green-e® certified

transactions.¹ The Green-e® program also includes standards for renewable energy certification in Chile, Singapore, and Taiwan R.O.C., as well as a global standard and certification program for retail carbon offsets called Green-e® Climate. CRS recently launched the Clean Energy Accounting Project (CEAP), which develops standardized, stakeholder-reviewed clean energy and GHG emissions accounting guidance addressing outstanding questions in voluntary and regulatory markets.

Responses to Selected Questions for Respondents

Question 5—Transition plans and carbon offsets

1. We support that the Exposure Draft does not conflate carbon offsets and renewable energy certificates (RECs)² in Paragraph 13(b)(iii).

Please see Sec. III.B. of our June 17, 2022 comments to the United States Securities and Exchange Commission (SEC) on its proposed rules for climate-related disclosures³ for more information on the differences between carbon offsets and RECs and why they should not be conflated in these requirements for climate-related disclosures.

RECs should not be confused with carbon offsets. They are different instruments that convey different claims, and they are accounted for differently in a consumer's GHG emissions inventory. Whereas RECs represent (in the markets where they are legally enforceable) a MWh of renewable energy generation, carbon offsets represent an amount of GHG emissions reduction in tons of carbon dioxide-equivalent (CO₂e). REC purchasers effectively contractually fuel switch from a certain mix of electricity generation (and associated emissions) to renewable generation (and associated emissions). They can therefore both reduce the portion of their carbon footprint associated with purchased electricity (i.e. *gross* Scope 2) and claim that their generation has an effect on emissions on the grid (i.e. *avoided* emissions). In the United States, RECs are an accounting instrument essential to all renewable electricity procurement, delivery, and use.⁴ A carbon offset, on the other hand, is a standalone, global emissions reduction beyond a baseline level of emissions from a project activity that would not have occurred but for the carbon offset market. Carbon offsets can be used to address any scope of emissions as a *net* adjustment to the gross consumer GHG inventory. Likewise, purchasing carbon offsets, which do not include non-GHG generation attributes, is not equivalent to purchasing renewable energy instruments

¹ For more information, please see the 2021 Green-e® Verification Report (2020 Data), available at: <https://resourcesolutions.org/g2021/>.

² In this letter, we use the term "renewable energy certificate" (or REC) generically. An interchangeable generic term is "energy attribute certificate" (or EAC). Slightly different names may be used by specific jurisdictions, systems, or programs (e.g. renewable energy credit, guarantee of origin, green electricity certificate, generation attribute certificate), which have the same basic features as described here.

³ CRS's comments to the U.S. SEC are available online at: <https://www.sec.gov/comments/s7-10-22/s71022-20132151-302642.pdf>.

⁴ See Sec. III.B.2 of CRS's June 17, 2022 comments to the U.S. SEC ("Background Regarding RECs") for more information about RECs, available online at: <https://www.sec.gov/comments/s7-10-22/s71022-20132151-302642.pdf>.

or certificates, and carbon offsets cannot be used to make renewable energy consumption or zero-emissions electricity usage claims.

2. Disclosure specifically related to voluntary renewable energy procurement should be added to Paragraph 13, either under subparagraph (a)(i) or (b)(ii) (e.g. “the use of voluntary renewable energy in achieving emissions targets”).

Voluntary procurement of renewable and low- or non-emitting sources of electricity may be among a company’s primary strategies for reducing its GHG emissions footprint. It may therefore be specifically and separately reported as an emissions mitigation strategy or response under Paragraph 13 (suggested language below).

Depending on the options available in different markets, renewable electricity may be self-generated (e.g. using onsite solar or other renewable energy generation equipment), procured from a retail electricity supplier (e.g. an electric utility or competitive supplier) through a “green tariff” or “green pricing” program, procured directly from a renewable energy generator using a power purchase agreement (PPA) or from a community renewable energy project. Also depending on the options available, companies may also directly purchase RECs separately from electricity (e.g. “unbundled RECs,” or Virtual PPA) to pair with electricity consumption. Renewable electricity procurement using any of these procurement options can reduce a company’s gross indirect GHG emissions associated with purchased electricity (*i.e.*, Scope 2 emissions) by verifying the use of zero- or low-emissions renewable sources of electricity. Companies may similarly procure non-renewable but low- or non-emitting or other specified electricity (e.g. nuclear, gas) to achieve climate-related targets or goals. Similar supply options (e.g. PPAs, utility products or portfolio mixes) may be available to companies in certain regions. This electricity procurement can similarly reduce a company’s gross Scope 2 emissions.

All disclosed renewable or otherwise specified (or resource-specific) electricity procurement, using any procurement option, must be substantiated with exclusive ownership of the environmental attributes of the generation. Depending on the market, this requires ownership and retirement of the associated RECs by or on behalf of the company (or a group including the company) for renewable energy resources. In regions where generation/energy attribute certificates are created for and issued to non-renewable resource types (or all generation), they, like RECs, must be retired by or on behalf of the company (or a group including the company) to verify its exclusive use of specified generation.

In Paragraph 13, a new subparagraph (a)(i)(4) could be added with the following language:

- (4) information about voluntary sourcing of electricity, specifically procurement of renewable, nonemitting, or other specified electricity. An entity shall disclose the total amount of generation voluntarily used or procured (in megawatt-hours), the resource/fuel type by

percentage of the total, the location of the generation, the age of the generating facilities (can be a range), the vintage of the generation (or the year in which the generation occurred) (can be a range), the procurement method (e.g. self-generation using onsite equipment, power purchase agreement, utility program/product/tariff, unbundled REC, etc.), the term length of the purchase agreement if applicable (e.g. one-time purchase, opt-in program enrollment, 10-year PPA, etc.), the name of the supplier, purchasing platform if applicable, and any certifications or standards (e.g. Green-e®) associated with the renewable energy product or transaction. All renewable or other specified electricity procurement disclosed per this subparagraph shall be substantiated with retirement of associated RECs, or generation/energy attribute certificates issued for non-renewable resource types, by or on behalf of the registrant (or a group including the registrant) for generating facilities that are registered in a regional renewable energy or generation attribute tracking system, or with contractual transfer and/or exclusive ownership and retention of all associated environmental attributes by the registrant for generating facilities that are not registered in a regional renewable energy or generation attribute tracking system.

Alternatively, a new subparagraph (b)(ii)(1) could be added with the following language:

- (ii) the amount of the entity's emission target to be achieved through emission reductions within the entity's value chain, including but not limited to:
 - (1) the use of voluntary renewable energy in achieving emissions targets. The entity shall disclose information about voluntary sourcing of electricity, specifically procurement of renewable, nonemitting, or other specified electricity, including the total amount of generation used or procured (in megawatt-hours), the resource/fuel type by percentage of the total, the location of the generation, the age of the generating facilities (can be a range), the vintage of the generation (or the year in which the generation occurred) (can be a range), the procurement method (e.g. self-generation using onsite equipment, power purchase agreement, utility program/product/tariff, unbundled REC, etc.), the term length of the purchase agreement if applicable (e.g. one-time purchase, opt-in program enrollment, 10-year PPA, etc.), the name of the supplier, purchasing platform if applicable, and any certifications or standards (e.g. Green-e®) associated with the renewable energy product or transaction. All renewable or other specified electricity procurement disclosed per this subparagraph shall be substantiated with retirement of associated RECs, or generation/energy attribute certificates issued for non-renewable resource types, by or on behalf of the registrant (or a group including the registrant) for generating facilities that are registered in a regional renewable energy or generation attribute tracking system, or with contractual transfer and/or exclusive ownership and retention of all associated environmental

attributes by the registrant for generating facilities that are not registered in a regional renewable energy or generation attribute tracking system.

If this disclosure is added, the following definitions, taken from the GHG Protocol's 2015 Scope 2 Guidance,⁵ should be added to Appendix A of the Exposure Draft:

- *Energy Attribute Certificate (EAC)*: A category of contractual instruments used in the energy sector to convey information about energy generation to other entities involved in the sale, distribution, consumption, or regulation of electricity. This category includes instruments that may go by several different names, including certificates, tags, credits, etc.
- *Renewable energy*: Energy taken from sources that are inexhaustible, e.g. wind, water, solar, geothermal energy, and biofuels.
- *Renewable energy certificate (REC)*: A type of energy attribute certificate, used in the U.S. and Australia. In the U.S., a REC is defined as representing the property rights to the generation, environmental, social, and other non-power attributes associated with the generation of one megawatt-hour (MWh) of electricity from a renewable resource on the electricity grid.

3. Additional disclosure requirements and/or specificity should be added to Paragraph 13(b)(iii)(2)-(4).

In addition to the third-party verification or certification standard used (subparagraph (b)(iii)(2)), the type of offset projects and whether they are removal vs. avoidance projects (subparagraph (b)(iii)(3)), and “any other significant factors” (subparagraph (b)(iii)(4)), the following information should be explicitly included:

- The total amount of emissions reductions (in metric tons carbon dioxide-equivalent),
- The location of the carbon offset project(s),
- The name of the offset project(s),
- The name of the seller of the offsets (if different),
- The vintage of the offsets (or the year in which the reductions occurred),
- The project verification standard organization and/or offset credit issuing body,
- Any retail offset product or sales certification associated with the offset transaction, and
- The cost of the offsets.

The ISSB may also consider limiting carbon offsets that may be disclosed per Paragraph 13(b)(iii) to only those including credits issued under a credible or qualifying offset project verification standard and program. Examples of such programs include those endorsed by the Green-e® Climate program.⁶

⁵ Sotos, M. (2015). GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. https://ghgprotocol.org/sites/default/files/standards/Scope%20%20Guidance_Final_Sept26.pdf

⁶ See a current list of Green-e® Climate Endorsed Programs at: <https://www.green-e.org/programs/climate/endorsed-programs>.

Question 9—Cross-industry metric categories and greenhouse gas emissions

Question 9, subquestion (b) regarding additional cross-industry metric categories

Since nearly all industries use electricity, and for the same general reasons that Scope 2 emissions are proposed as a cross-sector metric, renewable energy procurement should be included as a separate cross-sector metric under Paragraph 21, either instead of or in addition to reporting under Strategy and Decision making (Paragraph 13) as described above. While Scope 2 emissions will reflect renewable energy procurement (see our response to subquestion 9(c) below), they will reflect other activities and circumstances as well (e.g. conservation, energy efficiency, operations siting decisions) and are not sufficient to identify the role renewable energy procurement/use individually as a metric for climate-related risks and opportunities. This information is valuable to investors, specifically related to climate-related risks and opportunities, and broadly applicable across sectors and industries. Proposed language for a new subparagraph (b) under Paragraph 21 (with current subparagraphs (b)-(g) renumbered as (c)-(h), respectively) is provided below:

- (b) renewable and nonemitting electricity procurement – All renewable or other specified electricity procurement disclosed per this subparagraph shall be substantiated with retirement of associated RECs, or generation/energy attribute certificates issued for non-renewable resource types, by or on behalf of the registrant (or a group including the registrant) for generating facilities that are registered in a renewable energy or generation attribute tracking system, or with contractual transfer and/or exclusive ownership and retention of all associated environmental attributes by the registrant for generating facilities that are not registered in a regional renewable energy or generation attribute tracking system. Using the most precise and highest quality data available, the entity shall disclose:
 - (i) the resource/fuel type by percentage of its total electricity consumption by market,
 - (ii) the location of the generation,
 - (iii) the age of the generating facilities (can be a range),
 - (iv) the vintage of the generation (or the year in which the generation occurred) (can be a range),
 - (v) the procurement method (e.g. self-generation using onsite equipment, power purchase agreement, utility program/product/tariff, unbundled REC, etc.), the term length of the purchase agreement if applicable (e.g. one-time purchase, opt-in program enrollment, 10-year PPA, etc.),
 - (vi) the name of the supplier, purchasing platform if applicable, and

- (vii) any certifications or standards (e.g. Green-e®) associated with the renewable energy product or transaction.

Accurate disclosure of information related to renewable energy use requires market data in the form of REC and other certificate transaction and retirement data from regional generation attribute tracking systems, energy transaction data for specified resources that do not receive certificates, retail electricity emissions factors by LSE/supplier and by product offering (i.e. utility-specific emissions factors), and regional or market-specific residual mix and/or grid average emissions factors. In evaluating these disclosures, the ISSB should be aware that availability and quality of this data varies by location, and may not account for all transactions of power and attributes.⁷ The ISSB need only require that the most precise and highest quality data available be used, as recommended.

Alternatively, information on renewable energy procurement can be added to industry-based disclosure requirements (in Appendix B, Paragraph B17), where it is not already included, and existing requirements for disclosures related to renewable energy procurement can be revised, consistent with recommended language above.

Question 9, subquestion (c) regarding the requirement to use the GHG Protocol

1. The requirement to measure gross Scope 2 emissions in accordance with the GHG Protocol is not sufficient to ensure that Scope 2 emissions reporting is accurate, legally supported, consistent, and relevant.

While the 2015 Scope 2 Guidance⁸ requires use of the market-based method for electricity consumption in the United States and all “markets providing [electricity] product or supplier-specific data in the form of contractual instruments,”⁹ this guidance may change independently in ways that cannot be controlled by the ISSB as a result of the GHG Protocol’s own standard development process. Therefore, the ISSB should ensure that Scope 2 emissions accounting and reporting for operations in these markets is market-based, as recommended below.

2. Require a “market-based method” for Scope 2 calculations for all markets in which power generation is differentiated, transacted, and/or allocated to load/customers.

⁷ See CRS, March 2021. Data Sources: Accounting for Standard Delivery Renewable Energy. Clean Energy Accounting Project. Available at: <https://resource-solutions.org/document/03152101/>

⁸ Sotos, M. (2015). GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. Available online at:

https://ghgprotocol.org/sites/default/files/standards/Scope%20%20Guidance_Final_Sept26.pdf

⁹ Sotos, M. (2015). GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. Pg. 59. https://ghgprotocol.org/sites/default/files/standards/Scope%20%20Guidance_Final_Sept26.pdf

All entities with operations in electricity markets providing product or supplier-specific data should be required to use a market-based accounting method for Scope 2 emissions calculations.¹⁰ This is consistent with the current 2015 GHG Protocol Scope 2 Guidance.¹¹ Use of alternative Scope 2 calculation methodologies in these markets, in absence of a market-based Scope 2 emissions total, should not be permitted. Alternative electricity sector GHG emissions totals and figures (e.g. consequential/avoided emissions) can be disclosed per Paragraph 20(c)-(d) of the Exposure Draft. Neither should the ISSB set limitations on or additional criteria for market-based Scope 2 calculations.¹² By requiring market-based Scope 2 accounting, as recommended, the ISSB need not entirely reproduce the GHG Protocol Scope 2 Guidance or necessarily set standards for market-based electricity data or instruments. However, the ISSB can and should require that data used for Scope 2 accounting generally reflect exclusive ownership of generation attributes and represent the most precise and highest quality data available.

The market-based method¹³ is the most accurate Scope 2 emissions calculation method for the United States and many other markets, in which it reflects market transactions by both companies and utilities, ownership of generation attributes (in some cases, property rights), and the legal allocation of generation and emissions to retail load.¹⁴ Furthermore, as the essential accounting and verification instrument for delivery, purchasing and use of renewable electricity generation, RECs are also essential to accurate gross Scope 2 emissions accounting in these markets. According to the GHG Protocol's Scope 2 Guidance: "many contractual instruments convey legally enforceable rights and claims that can affect how a company describes its purchases and its overall environmental performance. Neglecting to report a market-based scope 2 that aligns with those claims can expose companies to legal risks."¹⁵

A market-based Scope 2 figure is also most relevant for investors and most appropriate for climate disclosures required by the ISSB, as it reflects the companies' choice and market activity regarding sources of electricity.¹⁶ Investors require consistent and standardized information as well as information that is useful in an evaluation of a company's climate-related risks, responsibilities, and actions.

¹⁰ See Sec. III.C.2.a.-e. of CRS's June 17, 2022 comments to the U.S. SEC for more information about market-based Scope 2 accounting, available online at: <https://www.sec.gov/comments/s7-10-22/s71022-20132151-302642.pdf>.

¹¹ Sotos, M. (2015). GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. Pg. 59. https://ghgprotocol.org/sites/default/files/standards/Scope%20%20Guidance_Final_Sept26.pdf.

¹² See Sec. III.C.2.f. and III.C.2.g. of CRS's June 17, 2022 comments to the U.S. SEC for more information, available online at: <https://www.sec.gov/comments/s7-10-22/s71022-20132151-302642.pdf>.

¹³ Described in detail in Sotos, M. (2015). GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. https://ghgprotocol.org/sites/default/files/standards/Scope%20%20Guidance_Final_Sept26.pdf

¹⁴ See Sec. III.B.2 of CRS's June 17, 2022 comments to the U.S. SEC, available online at: <https://www.sec.gov/comments/s7-10-22/s71022-20132151-302642.pdf>.

¹⁵ Sotos, M. (2015). GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. Pg. 17. https://ghgprotocol.org/sites/default/files/standards/Scope%20%20Guidance_Final_Sept26.pdf.

¹⁶ Sotos, M. (2015). GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. Pg. 8: "A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice)."

“Dual reporting” of both market-based and location-based Scope 2 emissions consistent with the current GHG Protocol guidance,¹⁷ can be permitted.

In Paragraph 21, a new subparagraph (a)(vi) should be added with the following language (with the current subparagraph (a)(vi)(1)-(4) renumbered as (a)(vii)(1)-(4)):

- (vi) for Scope 2 emissions disclosed in accordance with paragraph 21(a)(i)(2), if companies have any operations in markets providing electricity product or supplier-specific data in the form of contractual instruments, then:
 - (1) entities shall use a market-based accounting method reflecting its electricity supply choices (or lack of choice) and the generation and associated attributes (e.g. emissions) that are contractually delivered to and consumed by the entity. An entity must multiply each unit (e.g. MWh) of electricity purchased/acquired and consumed from an entity outside of the organization or from owned/operated generation facilities where generation attributes (e.g. RECs) have been sold or transferred by the emissions factor (e.g. tons CO₂e/MWh) associated with the contractual instrument (e.g. bundled PPA, unbundled REC) or data source (e.g. utility or supplier retail product or default resource mix, regional residual mix) that corresponds with that purchase, using the most precise and highest quality data available.
 - (2) Scope 2 emissions associated with purchased renewable electricity shall be substantiated with retirement of associated RECs, or generation/energy attribute certificates issued for non-renewable resource types, by or on behalf of the entity (or a group including the entity) for generating facilities that are registered in a regional renewable energy or generation attribute tracking system, or with contractual transfer and/or exclusive ownership and retention of all associated environmental attributes by the entity for generating facilities that are not registered in a regional renewable energy or generation attribute tracking system. If RECs or other attribute certificates are sold, registrants must calculate emissions associated with that consumption using emissions factors such as “replacement” certificates, a supplier’s default product emission rate, or residual mix emissions rate. RECs and contractual instruments must meet general quality criteria, including tracking and retirement of attributes and generation vintage in the same calendar or fiscal year as consumption or in the third or fourth quarter of the previous year or in the first quarter of the following year.
 - (3) A second Scope 2 emissions total, calculated using a different method, may also be disclosed (e.g. dual reporting of both a market-based and a location-based scope 2

¹⁷ Sotos, M. (2015). GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard. World Resources Institute. https://ghgprotocol.org/sites/default/files/standards/Scope%20%20Guidance_Final_Sept26.pdf

emissions figure) provided that the entity discloses the calculation methodology, inputs and assumptions used.

- (4) Scope 2 emissions must be calculated on at least an annual basis, and registrants should indicate which accounting timeframe (e.g. annual, hourly) has been used.

Please let me know if we can provide any further information or answer any other questions.

Sincerely,

____/s/____

Todd Jones

Director, Policy