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.

Areas of Support

Item 1: Retention of the Market-based Method (Consultation Questions 20 and 22)

Key Advantage:

The market-based method is essential for credible scope 2 accounting, and it is critical that the GHG Protocol should retain its existing basis, because it reflects how specified electricity is actually bought and sold in markets like the U.S. The market-based method captures supplier and consumer choices, enabling companies to take accountability for their purchasing behavior and ensuring that consumer decisions can drive real clean energy market impact.

Recommended Messages:

- Contractually purchased attributes of electricity generation define specified electricity purchases (i.e., from specific electricity suppliers or generators) in liberalized markets, like the U.S.
- The existing basis of the market-based method is therefore the appropriate reflection of purchased electricity in systems where physical delivery cannot indicate source and where source is defined contractually.
- The market-based method captures supplier and buyer behavior, linking emissions outcomes to consumer choice and the procurement decisions that drive clean or emitting generation.

- Without the market-based method, scope 2 accounting would not reflect real-world electricity purchasing mechanisms and would be misaligned with markets where contractual specification forms the basis of electricity transactions.
- The market-based method appropriately relies on contracts for power and Energy Attribute Certificates (EACs/RECs)—the accepted mechanisms for conveying generation attributes where physical delivery cannot be determined—and provides information that is complementary to, and equally valid as, the location-based method.

Item 2: Updates to Standard Supply Service (SSS) and Residual Mix (Consultation Questions 97-117, and 124-128)

Key Advantage:

The proposal to clarify rules for allocating and claiming SSS generation, and to require the use of residual mix or fossil-only emission factors when electricity is not matched with SSS or voluntary purchases, strengthens the integrity, consistency, and transparency of market-based accounting. These updates help ensure that customers receive the clean energy attributes they pay for and reduce the risk of double counting across reporting entities. Maintaining clear, attribute-based treatment of SSS is essential for consistent market-based scope 2 reporting alongside voluntary procurement.

Recommended Messages:

- The proposed rules for allocating SSS generation—particularly publicly funded or policy-mandated clean energy—help ensure that customers can claim their pro rata share of the attributes they pay for and prevent misallocation.
- SSS claims must be based on attribute ownership, including the retirement of contractual instruments (e.g., EACs), where they exist, on behalf of customers; without this requirement, there is a risk of double counting.
- The definition of SSS must be narrowly and clearly scoped to include only generation for which customers have a financial or regulatory claim to the attributes. For example, policies that are "source-based" (i.e., regulating what is generated but not what is consumed or delivered) or financial arrangements that do not convey attribute ownership should not qualify as SSS. Allowing such resources to be deemed SSS while their EACs are sold to voluntary buyers would create a significant risk of double counting or the loss of valid voluntary claims.
- Customers should be able to determine their SSS allocations using information provided directly by their electricity suppliers, which should qualify as "suppliers allocating their SSS resources" under the proposal, even where this is not explicitly identified or labeled as SSS allocations by the supplier (e.g., power source disclosure information). Allowing customers to derive allocations from supplier-disclosed data is practical, consistent with existing utility reporting practices, and avoids unnecessary dependence on a centralized registry where supplier allocation is already possible.

- The updated definition of residual mix—as the generation not claimed through contractual instruments, including voluntary purchases and SSS allocations—only functions correctly if SSS is itself based on attribute ownership and retirement.
- The elimination of simple grid-average emission factors under the market-based method is appropriate; when electricity is not matched with SSS or voluntary instruments, reporters should use residual mix or, if unavailable, a fossil-only factor to avoid overreporting renewable use.
- There should be no default designation of resources as SSS in situations where electricity providers do not supply SSS data and no third-party registry exists, because automatic qualification would increase the risk of double counting—especially in markets where specified generation can be transacted.

Areas of Concern

A proposed "physical deliverability" requirement would limit where RECs can be sold and purchased, and an "hourly matching" requirement would restrict how and which renewable purchases are recognized and claimed. Both proposals risk narrowing markets and reducing the value of voluntary clean energy purchases.

Item 1: Proposed Redefinition of Scope 2 (Consultation Question 18)

Key Concern:
The proposed revision to the definition of scope 2—to require that reported emissions must only include emissions from electricity generation processes that are "physically connected" to the reporter's value chain—would fundamentally change the basis of scope 2 accounting and undercut the market-based method as currently applied.

Recommended Messages:

- Imposing a physical connection requirement is inappropriate for electricity because electricity purchased from specific generators is not physically delivered on a shared grid; it cannot be physically tracked or directed to specific users.
- Market-based accounting exists precisely because physical delivery of specified power is unknowable for grid electricity. In the U.S., both contracts for power and EACs/RECs are recognized, legal mechanisms for conveying the emissions attributes of generation, neither of which represents physical delivery. Proposed hourly matching and physical deliverability requirements do not create a physical connection to the value chain.
- Furthermore, the term "purchased and consumed" electricity—used in the background section of the consultation draft—is not part of the established definitions in either the Corporate Standard or Scope 2 Guidance. Definitions in those documents refer to "purchased" or

"purchased or acquired" electricity, the latter explicitly accommodating situations where electricity is not directly purchased (e.g., tenants).

CRS Recommendation:

- Retain the existing scope 2 definition, which correctly reflects attributional accounting for purchased or acquired electricity, and avoid introducing "physical connection" language that misrepresents the nature of specified electricity transactions and attribute ownership in certain markets.

Item 2: The Physical Deliverability Requirement (Consultation Questions 83-87)

Key Concern:

The proposed requirement that RECs be sourced from generators whose electricity is "physically deliverable" to the reporting entity's grid region does not affect the integrity of market-based accounting, but it would dramatically shrink REC markets and undermine voluntary clean energy procurement.

Recommended Messages:

- Specified (e.g., renewable) power is not physically delivered through the grid. In the U.S. and other markets, emissions attributes are tracked contractually, not physically—this is the foundation of REC systems and the principle that the market-based method is designed to reflect. Because attributes are delivered outside the grid, REC market boundaries can legitimately extend beyond a single grid interconnection.
- Market-based accounting and physical deliverability are conceptually incompatible. Restricting contractual allocation to physically deliverable regions conflates the logic of the location-based and market-based methods—where attributes are tied to energy on the grid in the location-based method and attributes are conveyed in contractual instruments outside of the grid in the market-based method. These are two distinct approaches to attribute allocation that cannot be true simultaneously.
- In the U.S., introducing physical deliverability would restrict RECs and other attribute transactions to smaller regions, excluding legitimate purchases and discouraging participation.
- Vibrant voluntary markets depend on geographic flexibility. National and multi-regional attribute markets allow investment where renewable generation is most efficient and cost-effective, driving faster decarbonization.
- Limiting claims to physically deliverable regions could create substantial regulatory, geographic, and logistical barriers to renewable energy procurement, especially for companies in vertically integrated utility territories.

CRS Recommendation:

- CRS recommends defining market boundaries based on electricity sectors, not grid interconnections.
- Electricity sectors typically align with national boundaries, or multinational regions with active trade and shared governance (e.g., the E.U.).
- This approach maintains integrity, consistency, and scalability while avoiding arbitrary geographic limitations.

Item 3: The Hourly Matching Requirement (Consultation Questions 71-75)

Key Concern:

Requiring hourly matching for all market-based claims would exclude legitimate annual and monthly purchases that currently drive clean energy development. Given the current lack of hourly data, purchasing options, and residual mixes, most reporters would be forced to use fossil-only factors, producing inaccurate results. Temporal precision should be addressed through the market-based data hierarchy, not by restricting procurement and reporting.

Recommended Messages:

- Hourly or annual matching does not change the physical electricity customers use. Power at any hour comes from the local grid mix, regardless of renewable or other specified purchases. Because all specified power use is contractual—not physical—hourly matching increases the *precision* of market-based reporting by narrowing the temporal alignment between generation and consumption, but it does not increase *accuracy*. Differences between hourly and annual matching simply reflect different accounting timeframes, not inaccuracies.
- Requiring hourly matching before hourly data and REC systems are ready would force reliance on estimated or incomplete data or default to residual mix or fossil-only emission factors. This would exclude valid annual or monthly renewable purchases and result in inconsistent and inaccurate reporting, where renewable and other specified purchases would not be reported at all.
- In particular, this proposal results in over-reliance on load profile information and prioritizes secondary data over primary data. This represents a significant departure from historical norms and best practices in GHG accounting and deserves explicit attention.
- While hourly matching can sharpen renewable energy demand signals during hours of scarcity, its system-wide environmental benefit is highly context-dependent. Introducing this, or any, requirement that makes purchasing more complex or expensive risks reducing overall participation.
- Addressing temporal precision of data and matching in the data hierarchy, as opposed to the quality criteria for market-based instruments, would result in a consistent approach to temporal matching across both methods.

- It would also remove the need for simplified estimation approaches, exemptions, and legacy clauses.

CRS Recommendation:

- Hourly matching should be recommended but not required.
- Monthly and annual matching should remain valid under the market-based method where hourly data are not available.
- Temporal precision (beyond the current quality criterion related to vintage) should be addressed in the data hierarchy, as it is in the location-based method, not used as a new or updated quality criterion to exclude legitimate monthly and annual purchases.
- Guidance around hourly matching should be reevaluated in future update cycles under the ISO framework.

Conclusion

Our recommendations for the market-based method—defining sectoral market boundaries and establishing a data hierarchy that reflects temporal precision—accommodates procurement aligned with annual matching, hourly matching, and emissions matching within an attributional framework. This approach maintains the clarity and integrity of attributional inventories and claims, avoiding the confusion and credibility risks associated with employing consequential or offset-style approaches in scope 2 (though avoided emissions calculations have value outside of scope 2). It also preserves the impact and cost-effectiveness of broad, flexible markets, rather than constraining participation through hourly or local matching requirements that shrink markets and raise costs (though granular matching can increase individual impact under certain circumstances and should be facilitated as a consumer option).

In short, CRS's recommendations avoid the downsides of mandating any single approach—whether reduced precision, fragmented markets, or confusing claims—while leaving room for all matching frameworks to coexist, each offering distinct advantages under different buyer circumstances.

We would be happy to discuss or provide more information related to any of the information above. Please contact Peggy Kellen (peggy.kellen@resource-solutions.org), Devon Johnson (devon.johnson@resource-solutions.org), or Todd Jones (todd.jones@resource-solutions.org). In addition to this document, CRS will also make available its actual responses to the consultation questions as soon as those responses are finalized.