SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi Corporate Net-Zero Standard Expert Working Group (EWG) Meeting Minutes

EWG Scope 2 - Dedicated session with the GHG Protocol

17/07/2025, 14:00 - 15:00 BST

Virtual

DISCLAIMER

The meeting notes provided herein are intended to capture the discussions, decisions, and actions taken during the meeting to the best of the note-taker's ability. While efforts have been made to accurately represent the proceedings, it is essential to acknowledge that these minutes are a summary and may not capture every detail or nuance of the discussions held.

While every effort has been made to respect the confidentiality of sensitive information, please be aware that the meeting minutes may contain references to discussions or materials considered confidential or privileged. The unauthorized disclosure, distribution, or use of such information is strictly prohibited. If you believe any sensitive information has been improperly disclosed, please contact the SBTi.

Meeting minutes are subject to revision and amendment. The content may be updated or modified based on corrections, additions, or clarifications deemed necessary by the SBTi.

Session decisions which are deemed interim, unresolved items or confidential will not be shared publicly to protect the confidentiality of the Standard before publication and to prevent sending premature signals to the market.

As per clause 6 in the EWG Terms of Reference, members serve on the EWG in their individual capacity as technical experts.

“Science Based Targets initiative” and “SBTi” refer to the Science Based Targets initiative, a private company registered in England number 14960097 and registered as a UK Charity number 1205768.

Meeting participants

Expert Working Group Members present:

1. Drew Beyer, RMI
2. Matthew Brander, University of Edinburgh
3. Elliott Engelmann, WRI (GHG Protocol)
4. Nick Fedson, CDP
5. Rachel Kitchin, Stand.earth
6. Matt Konieczny, Watershed
7. Aindrias Lefévère-Laoide, EDF Group
8. Doug Miller, Energy Peace Partners
9. Alex Piper, EnergyTag
10. Mohand Salah, Sidi Kerier For Petrochemicals Company (SIDPEC)
11. Brad Schallert, Winrock International
12. Kae Takase, Renewable Energy Institute
13. Claire McCarthy, We Mean Business Coalition
14. Erik Landry, GRESB
15. Skye Le, ServiceNow

GHG Protocol

1. Michael Macrae, WRI (GHG Protocol)
2. Chelsea Gillis, WBCSD (GHG Protocol)

SBTi

1. Scarlett Benson, Scope 2 EWG Lead
2. Alberto Carrillo Pineda, Chief Technical Officer
3. Abhilash Desu, Senior Target Analyst
3. Emma Watson, Head of Corporate Standards
4. Paola Boniello, Technical Partnerships Manag

1. Welcome

The session began with a welcome from the SBTi team and a brief overview of meeting logistics before handing over to the GHG Protocol team for the presentation.

2. Meeting Objectives and Agenda

The objective of this session was to provide an update from the GHG Protocol team on progress in its scope 2 revision process. This included a review of emerging proposals for both location-based and market-based accounting methods, as well as the new marginal impact method under development.

The agenda covered:

- Presentation from the GHG Protocol on the scope 2 revision process

- Q&A

3. Overview of the GHG Protocol Scope 2 Revision Process

The GHG Protocol team gave a presentation on the process developments. Phase 1 is nearing completion, with a draft package already submitted to the GHG Protocol's Independent Standards Board (ISB) for review. The public consultation for Phase 1 is expected to launch in mid-October 2025, with associated communications beginning in September. Looking ahead, Phase 2 is set to begin in 2026 and will focus on developing technology- and sector-specific guidance, with final standards targeted for release in 2027. The presentation focused on updates that were ready for a public consultation and publicly available materials, thus feedback from the ISB could not yet be shared.

- GHG Protocol Standards Development and Governance Repository for publicly available presentations, meeting minutes etc.

3. Technical Content of Proposed Revisions

Location-Based Method

Clarifications regarding the purpose of the method and the application of emission factor hierarchies have been made to the location-based method. Additionally, updates to the emissions factor hierarchy based on spatial and temporal granularity, as well as the type of emission factor - with a preference for consumption-based over production-based factors - have been made. It was noted that only "accessible" emission factors, defined as public, free, and credible, would be required for use.

Several open topics remain under discussion, including the definitions of "publicly available" and "credible" emission factors, the global availability of emission factors, and the identification of examples of available emission factors that could be referenced or used in practice.

Market-Based Method

Key proposals moving forward to consultation include the requirements for hourly matching and deliverability for the use of contractual instruments. A potential exemption for small electricity users has been one of the discussion items related to matching requirements. The exact threshold is yet to be decided and is likely to be one of the questions in public consultation, but the GHG Protocol has conducted research indicating that a threshold of 10 GWh per year could be potentially about right - while most companies would be exempt, very large companies would still fall under the requirement. There was general support for allowing the use of estimated data through load profiles in cases where hourly data is unavailable.

Clarifications are also proposed regarding the treatment of standard supply service, with the suggestion that companies may claim fair-share entitlements from government-funded

resources. Additionally, in the absence of residual mix factors, fossil-based emission factors would be used to avoid double counting.

Open topics remain on the definitions and global applicability of “deliverability”, the structure of standard supply services, appropriate thresholds, and the treatment of legacy contracts, including whether to allow for legacy clauses.

Consequential Accounting / Marginal Emissions Impact Method

The Marginal Emissions Impact method is a proposal by the GHG Protocol Scope 2 Technical Working Group (TWG) to develop a new impact-based metric to complement inventory accounting and reporting. It is designed to reflect how much a clean energy purchase displaces fossil fuel emissions on the grid.

Marginal emission factors can be applied to both electricity consumption and procurement. They aim to identify which power plant(s) would operate at a specific location and time when additional load is added to the system, and whether, in the long run, a new generator would displace existing generators. The current approach proposes using a 50/50 weighted average of build and operating margin emission factors. Emphasis is placed on ensuring additionality for procurement-based emission avoidance, with flexible geographic limitations that allow for projects in carbon-intensive regions, regardless of the corporate load location.

Several open areas remain under discussion. These include defining appropriate additionality tests - such as regulatory, financial, or timing-based criteria - and determining the right level of rigor. Further clarification is needed on how to apply marginal emission factors, including the appropriate weighting of build versus operating margins, and whether specific guidance is required for their calculation. Lastly, questions remain around how this method aligns with broader consequential accounting frameworks and whether consistency can be achieved across sectors and other impact approaches.

4. Discussion Highlights

Residual Mix Factors

The EWG highlighted the limited availability of residual mix factors, which can lead to double counting of emissions. This has been acknowledged by the GHG Protocol. A proposal to use fossil-based emission factors was presented as a means to mitigate this issue. It was also noted that finalized scope 2 guidance is still a few years away. As the standard continues to evolve and companies begin their preparations, this topic may resurface.

Balancing Innovation and Feasibility

The discussion underscored the need to balance methodological innovation with practical feasibility. Proposed revisions aim to reflect changes in electricity markets while also considering implementation timelines that companies can realistically meet.

Inventory vs. Consequential Accounting

Clarification was provided that marginal impact methods, such as consequential accounting, are not intended to replace inventory accounting. Rather, they serve complementary purposes, offering additional insights into emissions impact while inventory methods maintain their core role in corporate GHG reporting.

Concerns Over Data Accessibility

Participants raised concerns about the additional burdens that high-resolution data requirements may place on companies, especially those with limited access to operational data or those that do not control their energy procurement processes directly. Thresholds for matching requirements are being discussed in the GHG Protocol's side to mitigate this challenge.

Interaction with SBTi's Timelines

The challenge of aligning SBTi's revision timeline with that of the GHG Protocol was discussed. SBTi is going to update its CNZS before the GHG Protocol finalizes its own revisions. The SBTi referred to the precedent of the SBTi FLAG methodology, which aligned to the draft of Land Sector and Removals Guidance by the GHG Protocol. Teams are committed to ongoing coordination to ensure alignment, and are exploring workable solutions.

Threshold Implications

One EWG participant raised a question around how thresholds for matching requirements affect downstream reporting entities: How would such a case be treated under the proposed rules if the original energy user (the data center) is above the threshold, but its customers, who are technically using that energy indirectly, are under the threshold, yet still make renewable energy claims based on the data center's procurement? The GHG Protocol advised that this is, in part, a matter of organizational boundary definitions - an area requiring further clarification from the GHG Protocol's team and TWG working on the Corporate Standard. These types of questions are the nuance that the GHG Protocol aims to receive also through the public consultation phase.

Binary vs. Spectrum Approach

An EWG member asked whether the GHG Protocol had discussed an option to treat hourly matching not as a strict binary requirement but rather as a spectrum, allowing companies to disclose the percentage of electricity matched with hourly data. This approach, supported by a minority of the GHG Protocol Technical Working Group, sought to encourage transparency and flexibility. However, the group ultimately adopted a stricter hourly matching requirement, citing accuracy and integrity as key reasons for the decision.

Incentives to Use Actual Load/Consumption Profiles

One of the EWG members emphasised the importance of using actual load or consumption profiles wherever possible, particularly in the context of hourly matching. While the additional data effort may not always influence corporate behavior, the integrity of emissions claims

depends on using the best available data. When hourly data is available - as is often the case with data centers - it should be used. Where it is not, load profiles may serve as a proxy.

5. Actions & Next Steps

- GHG Protocol will move toward Phase 1 public consultation in October 2025. EWG members are encouraged to circulate materials once shared.
- SBTi will continue internal coordination with the GHG Protocol to ensure alignment despite differing timelines.
- A recording and slides will be shared under existing confidentiality rules.
- The next EWG meeting will take place on July 31, 2025, with a focus on indirect mitigation and consequential accounting.