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30 January 2026

Professor Alexander Bassen, *Chair*
GHG Protocol Independent Standards Board
World Resources Institute
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Washington, D.C. 20002, U.S.A.

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By email and on-line submission

Dear Professor Bassen

Proposed Updates to the Greenhouse Gas Protocol's Scope 2 Guidance

Deloitte Touche Tohmatsu Limited welcomes the opportunity to comment on the proposed updates to the Greenhouse Gas Protocol's (GHGP) Scope 2 Guidance. We recognise the GHGP's Standards and Guidance play an important role in enabling entities to measure and report their GHG emissions. In turn, these disclosures allow investors and other stakeholders to assess an entity's GHG footprint and progress and performance against any GHG-related commitments. Further, we observe the importance of the framework given the GHGP's standards and guidance is increasingly referenced in reporting standards and regulations around the world.

Our response is limited to those questions which we felt were most appropriate considering our experience as an adviser and assurance provider to entities around the world as well as a preparer of GHG reporting for our business. We have provided our responses to the applicable survey questions via the online survey form. However, we highlight the following key points from our responses.

Thoughtful and practicable implementation

We encourage the GHGP to remain especially thoughtful and practical in shaping any updates and revisions to the Scope 2 Guidance, recognising how foundational scope 2 measurement and accounting is for global disclosure programmes, target-setting frameworks, and regulatory standards. Because of the importance of Scope 2 reporting to climate strategies, investment decisions, and compliance and regulatory expectations, it will be important for the revised framework to be objective, balanced and implementable

when issued to ensure broad, consistent, and timely adoption. In our detailed responses, we highlight our concern about the feasibility of some of the proposals in respect of current practice, the availability of the granular information envisaged, and the cost and effort of implementation by preparers in relation to the expected enhancement in decision-useful information.

We encourage the GHGP to place priority on consistency across jurisdictions and ensuring the GHGP measurement standards remain fit for purpose for reference in global reporting frameworks, particularly the International Sustainability Standards Board's (ISSB) Climate-related Disclosures standard (IFRS S2) and the EU European Sustainability Reporting Standards. Ensuring the Scope 2 measurement principles can be referenced or mandated by the ISSB Standards on GHG emissions disclosures is essential to promote consistent measurement across different frameworks and to avoid unnecessary preparation and reconciliation challenges, assurance complexity and potential confusion for users of sustainability information. Further, we believe it is essential that the GHGP clarify in its requirements that, when an entity is subject to mandatory sustainability disclosure requirements (such as the ISSB Standards, as adopted or adapted for local use), or applies such a reporting framework on a voluntary basis, the entity should not be required to apply the GHGP's disclosure requirements but, rather, the disclosure framework applied.

Balancing benefits and costs of proposed changes

While we understand the intention of the proposed revisions to deliver more precise and granular Scope 2 emissions data under both the location-based and market-based methods, we believe that the resulting increased complexity may disproportionately burden preparers and utility providers, as well as result in additional complexities for assurance engagements. The proposed revisions do not clearly convey how the anticipated benefits for users of sustainability information would sufficiently outweigh the increased cost and effort required by an entity to comply with both the location-based and market-based method revisions. We strongly recommend that the GHGP clarify and substantiate the incremental anticipated benefits for investors and other users of sustainability information, with particular attention to whether new requirements meaningfully enhance decision-usefulness of sustainability information. We strongly encourage the GHGP to perform field testing of the proposed changes with preparers and seek input from users of sustainability information to enable it to make an appropriately informed and comprehensive assessment of the costs and benefits, respectively, as well as identify practical implementation considerations.

Further, given the scale and complexity of the proposed changes, we consider that a substantial transition period should be provided, especially as some jurisdictions and sectors may be less equipped for a more rapid transition.

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Market readiness

The introduction of revised Quality Criterion 4 (hourly matching) and Quality Criterion 5 (deliverability) for the market-based method would be likely to have significant implications for the renewable energy market (e.g., discourage investment outside an entity's local grid) that the GHGP should thoughtfully consider. We believe hourly matching and deliverability may be difficult to implement in many jurisdictions due to data limitations and/or centralised energy markets and as a result, it may discourage renewable investment if qualified market instruments are not available in a specific market (either due to grid boundary or temporal specificity). We consider that the GHGP's primary goal should be to enhance the transparency and decision-usefulness of GHG reporting, and therefore a measurement methodology should not itself seek directly to influence investment decisions.

We therefore strongly recommend less stringent requirements for these Quality Criteria (e.g., moving from "shall" approaches to "may" approaches). Similarly, while the proposed hierarchy accounts for a lack of available data, we believe more precise activity data and emissions factors may not be available in many markets, either readily or without significant effort and cost, for the purposes of the location-based method.

Exemptions and legacy clauses

Given the increased complexities of the proposals, we fully support an on-going exemption for smaller entities to achieve proportionality in the requirements. Additionally, to minimise market disruption and avoid penalising existing long-term investments in renewable energy, we support a legacy clause to allow existing contractual instruments utilised by preparers under the current Scope 2 market-based guidance to continue until they expire.

Education, support and implementation

Depending on the extent of the changes ultimately made by the GHGP, stakeholders (preparers, assurance providers, users of sustainability information, utility providers, data providers) will likely require targeted education, data and tools from the GHGP and related bodies. Practical support could include:

- Guidance on developing and facilitation of access to more detailed consumption information and emissions factors, as we believe many jurisdictions will not have more granular emissions factors available, readily or without significant effort, to support many of the proposed changes.
- Practical calculation and modelling tools suitable for varying levels of expertise.
- Clear guidance on how base year and comparative recalculations should be provided both for initial implementation of the new Scope 2 Guidance and as more granular information consumption data or emissions factors becomes available.

- Explanatory materials and case studies to help prepares understand implementation.

We believe it is important that educational materials should be developed and made available in advance of any mandatory requirements.

GHGP and mandatory sustainability reporting requirements

While we recognise that the GHGP may have in mind making revisions now that will continue to be relevant as practice and data availability matures (including in light of developments in technology), we caution that new requirements should not run ahead of current market realities. This is especially important in the wider context of jurisdictions putting in place mandatory sustainability reporting requirements, adopting or basing their requirements on the ISSB Standards, or other jurisdictional reporting standards, that reference or mandate use of the GHGP's standards and guidance. Mandatory reporting brings implementation challenges for entities as they put in place the necessary governance and systems to meet the requirements and make sustainability-related disclosures of the necessary quality to be included in corporate reporting. It is particularly important that the measurement framework remains objective, neutral, and high quality, and that application of the GHGP's standards and guidance, when referenced or mandated by reporting standards, does not lead to undue cost or effort for entities in scope of these requirements. Furthermore, we believe that if requirements lead to entities having to incur undue cost or effort they could be discouraged from voluntary reporting in those jurisdictions that have not mandated emissions reporting.

Due process

Given the significance of the changes proposed, as discussed above, we strongly encourage thorough due process, including field testing and cost-benefit analysis. A key aspect of robust due process is stakeholder feedback. In this regard, we welcome that the GHGP extended the public consultation period for the proposed Scope 2 Guidance. We recommend that, for future consultations, a comment period of at least 90 days is provided.

Conclusion

In summary, while we support updating the Scope 2 Guidance, we are concerned about the feasibility of the proposed changes in their current form. We think it is essential that the GHGP maintain robust due process in updating its standards and guidance. We recommend that the GHGP engage closely with stakeholders representing both preparers and users to evaluate cost-benefit and real-world implementation challenges (e.g. through field testing) and carefully evaluate and clearly articulate benefits of the changes that justify the expected additional cost and administrative burden of the more granular requirements. We further encourage the GHGP to:

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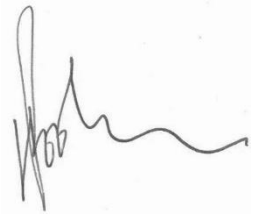
- Provide comprehensive educational resources and practical tools to enable effective and consistent application of the updated Scope 2 Guidance.
- Establish proportionality so that the Scope 2 Guidance can be applied by companies of various size and reporting sophistication.
- Ensure revisions focus first and foremost on increasing transparency and promoting global consistency to ensure the GHGP standard and guidance, including the Scope 2 Guidance, remains a leading measurement standard for regulated and voluntary disclosure alike. Policy-neutral, high-quality standards that are capable of consistent application across jurisdictions remain critical.

Thank you for considering our comments. Should you have any questions regarding our response or wish to explore any recommendations further, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely



Veronica Poole
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Deloitte Touche Tohmatsu Limited

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APPENDIX

Section 3

19. Please provide any feedback on the proposed clarification to the location-based method (LBM) definition to reflect scope 2 emissions from generation physically delivered at the times and locations of consumption, with imports included in LBM emission factor calculations where applicable?

Please note that feedback on specific changes to the location-based method can be provided in section 4.

From our perspective as a global assurance and advisory organisation, we acknowledge that the proposed clarification to the location-based method (LBM) definition more clearly reflects Scope 2 emissions from electricity that is physically delivered at the time and location of consumption, including imports where applicable. However, we believe this level of precision is not feasible for many jurisdictions without significant cost or effort. In determining the final language to include in the revised LBM definition, we encourage the Greenhouse Gas Protocol (GHGP) to consider feedback from stakeholders responding to the consultation, particularly regarding feasibility, administrative burden, and data availability across different markets. In many instances, jurisdictions do not yet provide granular hourly or sub-regional emission factors, and data regarding imports can vary in quality and/or availability. We observe that the lack of consistent access to data across markets could impact the comparability of reporting across entities. Additionally, it may be costly and resource-intensive for preparers of sustainability information to implement these changes, depending on how the clarified LBM definition and related hierarchy is finalised.

From an assurance perspective, the introduction of new data requirements to the LBM definition may result in additional granularity of calculation which will require additional procedures to test. In formulating a revised definition, it will be important for the GHGP to provide clear guidance on data hierarchies and treatment of data gaps in order to promote consistent global application, while recognising limitations in data availability.

Overall, we believe the revised definition and related hierarchy will provide more precise measurement of location-based Scope 2 emissions. However, this increased precision should be balanced with the increased cost and feasibility of preparing that information. Therefore, the final LBM definition and related guidance should be informed by stakeholder feedback to ensure it remains practical and cost-effective for global use.

20. Please provide any feedback on the proposal to clarify the market-based method (MBM) definition to retain its existing basis, quantifying scope 2 from contractually purchased electricity via contractual instruments, while specifying temporal correlation and deliverability when matching instruments to consumption?

Please note that feedback on specific changes to the market-based method can be provided in section 5.

We acknowledge the revised market-based method (MBM) definition would result in more precise matching of market instruments with the consumption of energy. However, we believe this level of precision is not feasible in many markets today.

As detailed in our consultation responses within Section 5, we are supportive of less stringent requirements to the proposed changes for Quality Criteria 4 and Quality Criteria 5 (e.g., “may” approaches rather than “shall” approaches). As a result, we would support updates to the MBM definition that echo this less stringent requirement. We encourage the GHGP to consider the feedback from stakeholders responding to the consultation, particularly regarding the feasibility, administrative burden, and data availability across different markets. In many instances, jurisdictions do not yet have the data and/or infrastructure to match contractual instruments on an hourly basis. Additionally, in many instances, market instruments are neither available nor currently designed to be matched on an hourly basis or physically aligned to energy consumption.

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Significant changes to existing market instruments would be required to implement successfully the proposed Quality Criteria 4 and Quality Criteria 5 changes, which would also come with a proportionate increase in costs to preparers. Additionally, the GHGP should thoroughly consider the effects these proposed updates to the MBM definition could have on renewable energy investment decisions globally: we expect there would be significant implications because, in many markets, instruments are only available with an annual vintage.

We are supportive of maintaining within the MBM definition that the contractual instrument remains the basis for allocation under the MBM. This basis of understanding is already well understood by preparers of market-based method inventories, users of Scope 2 reporting and assurance providers. It is also consistent with the GHGP's objectives of understandable and comparable information across entities.

SECTION 4

24. Please provide your reasons for support [for the update to the location-based emission factor hierarchy to identify the most precise location-based emission factor accessible according to spatial boundaries, temporal granularity, and emission factor type (consumption or production)], if any.

Select all options that apply:

a. Agree that guidance on selecting location-based emission factors should be presented as a hierarchy

b. Enhances the accuracy and relevance of the location-based method

c. Enables use of emission factors that support abatement planning and target-setting.

d. Improves use of location-based method to provide risk and opportunity assessment related to consumption of grid electricity.

e. Aligns with emission factors used by your organization for location-based emissions reporting

f. Aligns with emission factors used for mandatory or voluntary reporting in your region

g. Prioritizes consumption-based factors that include imports/exports over production-based factors.

h. Clarifies application of the EF hierarchy (spatial > temporal > consumption-based > production-based)

i. Agree with listing the most precise temporal granularity as "hourly"

j. Agree with listing the most precise spatial boundary as "local boundary"

k. Agree that the proposed spatial boundaries reflect electricity deliverability in your region

l. Other (please provide)

25. Please provide comments regarding your reasons for support [linked to Question 24].

We recognise that, in principle, an update to the location-based method, by introducing an emission factor hierarchy to better identify the most precise emission factor available according to spatial boundaries, temporal granularity, and emission factor type, would likely yield more precise measurement. In our view, this refinement could potentially strengthen the alignment between reported Scope 2 emissions and the actual characteristics of the grid serving the reporting entity. However, we encourage the GHGP to balance the objective for precision with practical considerations and proportionality.

While enhanced spatial and temporal specific data is likely to improve the precision of reported emissions, the updated hierarchy could create challenges for comparability between entities operating in data-rich regions and those in areas with limited grid information. This is because not all regions or jurisdictions have equal access to granular or timely data. While GHG emissions were originally used to evaluate a company's progress over time, the information is increasingly used today to compare across entities, and, as a result, the principle of comparability has become more important. We therefore encourage the GHGP to develop additional guidance in areas including minimum data quality and disclosure requirements, further clarity on

what comprises a local boundary, further guidance on determining credible sources and how entities and preparers should address potential data gaps when preparing their GHG reporting.

Additionally, the proposed revisions do not clearly articulate how changes in the availability of more precise emission factors in the future should be handled with regards to recalculation of base-year and comparative emissions. For example, if an entity applied an emission factor based on a local and monthly boundary in reporting year 20X2 and for its 20X0 base year (as that was the most precise and accessible emissions factor at the time) but in reporting year 20X3 applied an emission factor based on a local and hourly boundary as that became accessible, should the entity recalculate its 20X0 base year emissions and/or comparative 20X2 emissions to apply the more accurate local and hourly emission factor? If so, how should lack of availability of information for prior periods be addressed? We note recalculations can be burdensome for preparers and require additional considerations by assurance providers reporting on such information. Guidance on how scenarios such as this should be considered is necessary to support implementation.

A more clearly defined hierarchy may reduce subjective judgements in emission factor selection. However, higher precision also increases reliance on system operators and utility providers to consistently publish, transparent and reliable data. Ensuring that preparers of sustainability information and assurance providers can access this information will be critical to successful implementation. In addition, we highlight that incremental assurance procedures would be required as a result of these proposed changes (needing to understand the accuracy and reliability of data used, determination of the most temporal boundary by management, etc.) and encourage the GHG Protocol to consider this incremental cost as it considers if and how the benefits of these changes outweigh the cost to preparers.

Additionally, we encourage the GHG Protocol to engage in pilot field testing on these proposed location-based method revisions with preparers. Through field testing, the costs and related benefits can be understood and assessed for determining if the benefits of additional precision to the users of the Scope 2 location-based metrics outweigh the costs to preparers.

Overall, we believe an updated hierarchy may contribute to more accurate Scope 2 reporting, provided the final Scope 2 guidance is carefully considered, is sufficiently proportionate in its approach, and supports global consistency and comparability in the application of the LBM.

26. Please provide your concerns or reasons for why you are not supporting [the update to the location-based emission factor hierarchy to identify the most precise location-based emission factor accessible according to spatial boundaries, temporal granularity, and emission factor type (consumption or production), if any.

Select all options that apply:

a. **Prefer guidance on selecting location-based emission factors to be identified as a single globally applicable option to increase comparability**
b. **Concern about increased administrative burden and complexity from identifying the most precise emission factors accessible**
c. **Concern that the most precise temporal granularity "hourly" is too detailed**
d. **Concern that the most precise spatial boundary, "local boundary", is too narrow**
e. **Concern that the proposed spatial boundaries do not reflect electricity deliverability in your region**
f. **Concern hierarchy does not align with emission factors used by your organization for location-based emissions reporting**
g. **Concern hierarchy does not align with emission factors used for mandatory or voluntary reporting in your region**
h. **Prefer a different order (e.g., consumption-based first, then spatial boundary, then temporal granularity)**
i. **Unclear how the changes will affect your GHG emissions reporting**

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j. Other (please provide)

27. Please provide comments regarding your reasons for why you are not supporting (if any) [linked to Question 26].

While we acknowledge the intent of refining the location-based emission factor hierarchy is to facilitate more precise Scope 2 emission reporting, the revisions introduce several practical and structural challenges that could potentially undermine comparability, consistency, and feasibility for many reporting entities, particularly those operating in regions with limited data availability. In this regard, we make a number of suggested considerations below.

First, increasing reliance on more granular spatial and temporal emission factors may result in disparities across markets. Many jurisdictions do not publish hourly or sub-regional emission data, nor do they provide transparent information on cross-border electricity imports and exports. As a result, entities in data-rich regions may report significantly more precise, and materially different, Scope 2 emissions than those in data-constrained regions, reducing comparability. This divergence could also challenge the ability of users to interpret results.

The expanded hierarchy may also impose disproportionate burdens on smaller entities and those with limited reporting infrastructure. The requirements to identify, evaluate, and document increasingly granular emission factors could potentially drive significant new costs and operational complexity.

While increased granularity and a prescriptive hierarchy may reduce subjective judgements in emission factor selection, they increase reliance on system operators and utility providers to consistently publish transparent and reliable data. Preparers and assurance providers alike depend on transparent, reliable, and consistently published data sources. In many markets, particularly outside North America and Europe, these datasets do not currently exist or are not subject to independent oversight.

Given these concerns, while we believe an updated hierarchy may contribute to more accurate Scope 2 reporting, we encourage the GHGP to make sure that any changes are carefully designed and grounded in broad stakeholder feedback to ensure the additional costs and burdens on preparers do not outweigh the benefits of more precise information, and that consistency, comparability and usability are maintained on a global scale.

Additionally, we strongly encourage the GHGP to engage in pilot field testing on these proposed location-based method revisions with preparers. Through field testing, it is our opinion that the costs and related benefits will be easier to understand and can be more easily and objectively assessed for determining if the additional precision aligns with the benefits to the users of the Scope 2 location-based metrics.

Lastly, we encourage the GHGP to think about ways to continue to upskill its stakeholders (preparers, assurance providers, users of reports, etc.) in light of these significant proposed changes. Based on our experience, many stakeholders may not fully understand how their entity would implement these proposed changes. If the changes were to be finalised as proposed, we consider additional learning materials, workshops, FAQs, etc. would be necessary to support the upskilling of all stakeholders.

31. Do you agree that "local boundary" should be listed as the most precise spatial boundary for LBM emission factors? If not, select which should be listed as the most precise spatial boundary?

a. Yes, I support local boundary as the most precise spatial boundary
b. No, a more precise spatial boundary should be added
c. No, a less precise spatial boundary should be used. Use Operational grid boundary
d. No, a less precise spatial boundary should be used. Use Grid-wide or national boundary
e. Other (describe)

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32. If you selected "Other" in question 31, please describe.

We believe that a local boundary could be a viable option for identifying the most precise spatial boundary for location-based emission factors, as it has the potential to reflect most closely the emissions intensity of electricity actually delivered to the reporting entity.

However, we encourage the GHGP to consider how significantly the practical application of a local boundary will depend on data availability, data quality and consistent methodologies across jurisdictions. In many markets, granular sub-regional emission factors are not published, are available only intermittently, or are based on methodologies that lack transparency. Without additional guidance and a more consistent understanding of certain concepts and terms, the local boundary as the most precise option could lead to inconsistent application, reduced comparability across entities and increased reporting burden, particularly for smaller entities or those operating in regions with limited data. For instance, in certain situations, a local boundary may be a single country, while in other cases it could be a grid that includes neighbouring countries, which can create challenges and inconsistencies with boundary determination. Engaging in field testing with preparers may provide more data for the GHGP to be able to understand better how accessible and available local boundary data is around the globe.

In developing final updates to the Scope 2 guidance, it is important that clearer definitions of both "local boundary" and what constitutes a "credible source" of emission factor data are provided. As currently written, these terms are open to interpretation. As a result, preparers may apply the hierarchy inconsistently, which could significantly impact comparability across entities and result in less meaningful disclosure of GHG information. Inconsistent application of the hierarchy could also require additional assurance procedures to be performed to understand and test the appropriate and intended application of the hierarchy. It would also be important to preparers of GHG information to clarify minimum criteria for when a local boundary emission factor can be considered valid, including requirements for transparency, update frequency, and treatment of imports and exports. Additional guidance on acceptable alternative options and disclosure requirements would further support implementation and consistency.

36. Please provide your reasons for support [of the addition of definition for "accessible"], if any. Select all options that apply.

a. Definition supports feasibility and lower-cost reporting

b. Supports transparency and public verifiability of emission factors

c. Implements a common comparability baseline across reporters

d. Creates data equity for smaller reporters and underserved regions

e. Encourages open publication of emission factors

f. High quality accessible emission factors already exist for most markets globally today

g. Ensures reporters can immediately apply the updated LBM hierarchy

h. Clarifies reporting requirements

i. Other (please explain)

37. Please provide comments regarding your reasons for support [linked to Question 36].

We support the GHGP providing a clear definition on the meaning of "accessible" within the Scope 2 guidance to enable consistent application and understanding of the definition. As currently written, we agree that the definition would support transparency and public verifiability of emissions factors: given the requirement for the emission factors to be accessible, users of GHG reporting will equally be able to understand and independently access the emission factors being used by preparers. The currently proposed definition also supports feasibility and lower-cost reporting which aids in creating data equity for smaller reporters and

underserved regions that do not have access to as much data. However, these feasibility and data-equity considerations should be balanced with a potential loss of comparability across entities.

38. Please provide your concerns or reasons for why you are not supporting [the addition of definition for "accessible"], (if any).

Select all options that apply

a. Definition needs further clarification about what is recognized as a credible source

b. Definition should not exclude emission factors that are publicly available and credible even if they have a reasonable associated cost (i.e. not free)

c. A list of suitable location-based emission factors should be published for each region, rather than requiring reporters to individually determine what is accessible in their region.

d. Definition should also consider level of administrative effort in addition to external costs for emission factor data.

e. Another criteria should be added to the definition

39. Please provide comments regarding your reasons for concern (if any) [linked to Question 38].

We encourage the GHGP to consider further what additional clarification and guidance would be needed to ensure consistent global application of the new definition of "accessible" and to address practical challenges already highlighted. In particular, we believe the definition should be clearer about what is recognised as a credible source. A credible source has different interpretations across different markets, and emission factors may be produced by a mix of governmental agencies, utility providers and various other institutions (e.g., non-profits) and data providers (e.g., carbon software developers). Without clearer criteria, preparers, assurance providers and other stakeholders may reach different conclusions about the same data source, affecting comparability and increasing the burden of evaluating data quality.

We have observed that the more precise emissions factors, prioritised by the revised hierarchy, are frequently only available for a fee. While we support the voluntary use of such information, we recommend that the GHGP consider mandating the use of these factors when they are available for a nominal fee and meet all other necessary criteria. Furthermore, the current 'free to use' limitation risks excluding many widely accepted, credible, and reliable emissions factors simply because they carry a reasonable charge. This exclusion could severely restrict entities' options, leaving them to rely on inferior alternatives or with no suitable choices, ultimately undermining comparability across entities. Finally, we agree that the definition of accessibility should reflect not only external cost but also the administrative effort required to obtain and validate data and the potential impacts both for preparers and users. Excessive effort can pose a significant burden, particularly for smaller entities or those operating in data-limited regions, and both the costs and efforts associated with applying this model may outweigh any additional measurement precision gained.

40. Which entities should qualify as credible sources:

Select all options that apply

a. Government agency

b. System operator

c. Recognized registry

d. Accredited statistics body

e. Independent methodology meeting minimum criteria (outlined in question 42)

f. Other (please specify and explain)

42. If you selected independent methodologies in question 40, please describe what documentation or assurance (if any) is needed for it to be recognized as a credible source?

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Select all that apply, then add brief detail:

a. **Publicly documented methods and system boundaries**
b. **Update cadence (e.g., annual) and version control**
c. **QA/QC procedures and uncertainty disclosure**
d. **Governance/independence and conflict-of-interest safeguards**
e. **Geographic/system boundary and temporal coverage fit for use**
f. **Other (please explain)**

43. Please provide any additional comments concerning your selected minimum criteria in question 42.

Independent methodologies can potentially be recognised as credible sources but only if they are supported by transparent, well-governed and consistently applied documentation. Independent methodologies should be supportable and disclosed so that preparers, users, assurance providers and other stakeholders can clearly understand how emission factors were generated and what assumptions underlie them. Additionally, independent methodologies should be consistently monitored and updated to ensure preparers are using the most current and appropriate emission factors and data.

To support reliability, the methodology should demonstrate evidence of quality assurance and control procedures along with adequate disclosures, enabling stakeholders and users to assess the quality and limitations of the data and methodologies implemented by the preparer. To support credibility, strong governance and independence safeguards, including internal controls, should be established to prevent conflicts of interest and ensure that emissions data is developed and maintained objectively.

In summary, many of the sources outlined in Question 40, along with independent methodologies, may be considered credible when they are updated on a timely basis, are relevant, reliable and objective, and appropriately monitored and governed.

47. Please provide your concerns or reasons for why you are not supporting [the update to the requirement to use the most precise location-based emission factor accessible for which activity data is also available].

Select all that apply

a. **Concern about negative impact on comparability, relevance and/or usefulness of LBM inventories**
b. **Concern that administrative, data management, and audit challenges posed by this approach would place an undue burden and costs on reporters**
c. **Concern that the most precise spatial boundary in the LBM emission factor hierarchy, 'local boundary', is too narrow to require even when accessible**
d. **Accessible factors may be less accurate than non-accessible options and primary users of emission reporting data may expect the most representative factors**
e. **Material differences to inventory accuracy are too small to justify cost**
f. **Concern about the update cadence or representativeness of datasets (hourly/monthly)**
g. **Other (please provide)**

48. Please provide any additional comments regarding your concerns or reasons why you are not supporting (if any) [linked to Question 47].

While we acknowledge the intent behind using the most precise location-based emission factor accessible, in our role as an assurance and advisory organisation, we observe that the requirement may present practical and structural challenges that could potentially undermine comparability, consistency and feasibility for many reporting entities, particularly those operating in regions with limited data availability.

As mentioned in our earlier responses, increasing reliance on more granular spatial and temporal emission factors may result in disparities across markets. Many jurisdictions do not publish hourly or sub-regional emission data, nor do they provide transparent information on cross-border electricity imports and exports. As a result, entities in data-rich regions may report significantly more precise, and materially different, Scope 2 emissions than those in data-constrained regions, reducing comparability. This divergence could also challenge the ability of users to interpret results across jurisdictions. For global entities this may even result in inconsistencies between the various regions in which they operate and lead to a lack of consistency within their consolidated emissions reporting.

The requirement to use the most precise location-based emission factor accessible may also impose disproportionate burdens on smaller entities and those with limited reporting infrastructure. The requirements to identify, evaluate and document increasingly granular emission factors could potentially drive significant new costs, for both preparers and assurance providers, and operational complexity, without a commensurate improvement in decision usefulness for many users.

We encourage any final amendments on this topic to be carefully designed and grounded in broad stakeholder feedback to ensure the benefits of increased precision outweigh additional costs and burdens on preparers and that consistency and usability are maintained or enhanced on a global scale.

51. For concerns that choosing an accessible factor over a more accurate "non-accessible" one can reduce accuracy and decision-usefulness please describe the conditions when a non-accessible factor should be required to be used over an accessible one (e.g., material difference threshold, investor relevance), and what transparency/assurance is needed (public methods, QA/QC, independent assurance). Please note any cost/effort implications.

In situations where the difference between an accessible factor and a more accurate non-accessible factor is significant enough to affect materially the accuracy and relevance of sustainability information and therefore its decision-usefulness to users, the use of a non-accessible factor may be more appropriate.

The use of a non-accessible factor may potentially apply more to entities with concentrated electricity use in regions where certain emission factor data is unavailable or lacks sufficient detail, but more precise non-accessible factors are available through paid credible sources. In these cases, choosing the accessible factor solely because it is free or publicly available could undermine the accuracy and usefulness of reporting.

When a non-accessible factor is used, additional transparency and disclosure should be provided to users including why those factors were used, how they were developed and what, if any, limitations may exist. Disclosures may reflect the methods, system boundaries, and underlying data that were used, any quality assurance, quality control processes and monitoring that have been implemented and any governance structures in place to promote independence and minimise conflicts of interest. Depending on the significance and materiality of emissions data that is based on non-accessible factors, assurance procedures over the development of the factor may also be needed as part of any independent assurance obtained.

We recognise that these requirements may increase cost and administrative burden for preparers and therefore support the use of these factors (when the cost is more than nominal) being optional. Non-accessible datasets may potentially involve access fees, require use of experts with certain technical training, and may expand the level of procedures required for external assurance. We encourage any final amendments on the use of non-accessible factors, as they are currently referred to in the consultation, to be grounded in broad stakeholder feedback to determine the volume of preparers that would consider leveraging such factors and the implications for the usefulness of GHG information prepared without them.

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65. Which two measures would most reduce burden in your context?

Please select at most 2 options.

a. Standardized publication of consumption-based emission factors by grid/system operators

b. Load profile hierarchy/templates to approximate hourly activity data when meters are unavailable

c. Phased implementation (staged effective dates)

d. API/automated access to emission factor datasets

e. Example calculations and disclosure templates

f. Assurance safe-harbors for estimates

g. Other (specify)

66. Please provide additional context on the measures that would most reduce burden in your context.

Standardised publication of consumption-based emission factors by grid/system operators and phased implementation would help reduce burden on both preparers and assurance providers. In the case of assurance, the burden would be reduced because assurance providers depend on transparent, reliable and consistently published data sources. Phased implementation would allow preparers, and likewise assurance providers, time to upskill and understand the proposed changes as well as allow those in data-limited jurisdictions additional time to prepare.

We did not select "assurance safe-harbors for estimates" as we are concerned that such an approach may not be operable with current assurance standards. There is a variety of standards used globally for assurance engagements that generally define the procedures to be performed rather than allowing for the reporting standards to define the procedures or any safe harbour. Therefore, any proposals to introduce assurance safe-harbour provisions for estimates in the final Scope 2 guidance should be exposed to comment once robustly defined and subject to appropriate due process so that assurance professionals can evaluate if they are operable with current assurance standards.

SECTION 5

74. Please provide concerns or reasons for why you are not supporting [the updates to Quality Criteria 4 that requires that all contractual instruments used in the market-based method be issued and redeemed for the same hour as the energy consumption to which the instrument is applied, except in the certain cases of exemption], if any.

a. More information is necessary to understand how investments not matched on an hourly basis will be accounted for and reported via the framework under development by the Actions & Market Instrument TWG

b. Hourly matching should follow an optional 'may' rather than a required 'shall' approach

c. Hourly matching should follow a recommended 'should' rather than a require 'shall' approach

d. Concern about negative impact on comparability, relevance and/or usefulness of MBM inventories

e. Concern that a phased implementation would be insufficient for development of the infrastructure necessary (e.g., registries, trading exchanges, etc.) to support hourly contractual instruments

f. Concern that administrative, data management, and audit challenges posed by this approach would place an undue burden and costs on reporters

g. Concern that requiring hourly matching does not create meaningful improvements to inventory accuracy

h. Concern that a requirement for hourly contractual instruments could discourage global participation in voluntary clean energy procurement markets

i. Other (please explain)

75. Please provide comments regarding your concerns or reasons for why you are not supportive [linked to Question 74].

We would support a less stringent hourly matching requirement than set out in the proposals (e.g., moving from a "shall" approach to a "may" approach). We acknowledge the proposed updates to Quality Criteria 4 explicitly define the time period for application of a market instrument to the period of energy consumption as compared to the current Scope 2 market-based accounting language which states "as close as possible to the period of energy consumption". However, despite the proposed exemption thresholds and implementation timelines, we observe that the current proposed changes to Quality Criteria 4 would require significant improvements in how electricity consumption data from utility providers and market-based instruments are reported and structured. Imposing such requirements, even if only to entities over an exemption threshold, may potentially discourage voluntary GHG emission reporting, reduce comparability, introduce increased complexity for preparation and assurance, and place increased responsibility and operational burden on utilities and grid providers and preparers. Although we recognise that hourly data may be available in certain markets, we recommend that the GHGP clarify how the proposed hourly matching requirement increases the usefulness of the reported market-based method information in a manner that outweighs the additional cost and burden that would be required to apply it.

In the case of a lack of detailed hourly data, complex modeling may be required, increasing cost and effort for preparers to implement these models and for assurance providers to understand and evaluate them. Entities with long-term instrument contracts would need to model the effects of hourly data many years into the future, which may not be feasible. Even with the proposed use of load profiles to convert monthly or annual data to hourly data, it is our observation that this may also increase cost and effort for both preparers and assurance providers to understand the load profiles and their application. The use of load profiles for part of an entity's operations and the use of detailed hourly data for the remainder could result in unnecessary burden being placed on preparers to maintain multiple records of accounting.

The proposed changes to Quality Criteria 4, while potentially providing higher precision, would also increase reliance on system operators and utility providers to consistently publish transparent and reliable data, while also increasing the need for preparers to have access to hourly data or require complex modeling (even through the proposed use of load profiles). Ensuring that preparers and assurance providers could access this information will be critical to successful implementation. We highlight the added cost and/or effort that would result from these proposed changes (arising from the need to understand modeling and matching, and accuracy and reliability of data used, etc.) for both preparers and assurance providers. We encourage the GHGP to consider this incremental cost and/or effort as it evaluates how the benefits of increased precision outweigh the cost to preparers.

Lastly, we encourage the GHGP to consider ways to continue to upskill its stakeholders (preparers, assurance providers, users of reports, etc.) in light of these significant proposed changes. Based on our experience, many stakeholders may not fully understand how their entity would implement these proposed changes. If the changes were to be finalised as proposed, we think additional learning materials, workshops, FAQs, etc. would be needed to support the upskilling of all stakeholders.

86. Please provide reasons of concern or why you are not supporting [the updates to Quality Criteria 5 that requires that all contractual instruments used in the market-based method be sourced from the same deliverable market boundary in which the reporting entity's electricity-consuming operations are located and to which the instrument is applied, or otherwise meet criteria to demonstrate deliverability to the reporting entity's electricity-consuming operations], if any.

Select all that apply

a. **Proposed deliverability requirements do not improve alignment with GHG Protocol Principles**
b. **Concern that narrower market boundaries restrict companies' abilities to invest in areas where renewable energy development could yield the greatest decarbonization impact**
c. **Concern that narrower market boundaries could prompt a shift away from long-term agreements (i.e., PPAs) to spot purchases (unbundled certificates)**
d. **Sourcing contractual instruments within deliverable market boundaries should follow an optional "may" rather than a required "shall" approach**
e. **Sourcing contractual instruments within deliverable market boundaries should follow a recommended "should" rather than a required "shall" approach**
f. **Concern that the defined market boundaries do not align with mandatory or voluntary reporting requirements in your region**
g. **Support deliverability in principle, but the proposed market boundary for my region does not reflect deliverability**
h. **Market boundaries should be defined as the geographic boundaries of electricity sectors, which align with national, and under certain circumstances, multinational boundaries**
i. **Exemptions to matching within deliverable market boundaries should be allowed for markets lacking sourcing options**
j. **Other (please explain)**

87. Please provide comments regarding your selected reasons for why you are not supporting [linked to Question 86].

Despite the proposed exemption thresholds and implementation timelines, from our perspective as a global assurance and advisory organisation, we observe that the proposed changes to Quality Criteria 5 would require significant changes in how entities purchase and apply market-based instruments as compared to their existence today. Imposing such requirements, even if only to entities over an exemption threshold and with legacy clause considerations, may potentially discourage voluntary GHG emission reporting, impair comparability, introduce increased levels of procedures for assurance services, place increased responsibility and operational burden on utilities and grid providers, and redirect resources away from other meaningful decarbonisation activities. We recommend that the GHGP clarify to what extent the proposed deliverability requirement provides users the benefits of more precise GHG information that would outweigh the additional reporting cost and burden that would be required in application.

We observe that the proposed changes to Quality Criteria 5 could significantly and directly influence global renewable energy investment decisions and the broader renewable energy market. While markets may evolve over the long term, these changes may reduce investment in certain renewable markets in the near term. We consider that the GHGP's primary goal should be to enhance the transparency and decision-usefulness of GHG reporting, and therefore a measurement methodology should not itself seek directly to influence investment decisions. We acknowledge that the proposed changes aim to further define and inform the determination of the market boundary by requiring instruments be sourced from generation that is deemed deliverable to the entity. However, this level of granularity may not be feasible in many markets. As a global assurance and advisory organisation, we engage with clients all over the world that operate in various energy markets. It is our observation that some markets only source energy from certain geographies and the proposed changes to Quality Criteria 5 would further limit where an entity in such markets could make their investment decisions. Additionally, we are aware that some jurisdictions have a centralised energy market which would result in next to impossible market delivery boundaries under the proposed changes. This would mean that entities that are currently able to invest in market instruments could become unable to do so. The proposed deliverability requirements may also result in a lack of eligible market instruments for purchase (i.e., supply constraints) potentially discouraging voluntary GHG emission reporting participation as well as

increased cost and portfolio management effort. As such, we would support a less stringent deliverability requirement (e.g., moving from a "shall" approach to a "may" approach), which we believe would ensure these changes in measurement methodology would not disrupt or discourage renewable investment decisions.

The proposed changes to Quality Criteria 5, while potentially providing higher precision, also increase reliance on system operators and utility providers to publish consistently transparent and reliable data. They also require preparers wishing to invest in renewable energy to have access to contractual instruments that align to their physical energy consumption, which is not feasible in all cases. Ensuring that preparers and assurance providers can access this information will be critical to successful implementation. We highlight the added cost that would result from these proposed changes (needing to understand accuracy and reliability of data utilised, and how market boundary determinations were made by management, etc.) for both preparers and assurance providers. We therefore encourage the GHGP to take into account this incremental cost as it considers how the benefits of increased precision outweigh the cost to reporters.

Lastly, we encourage the GHGP to consider ways to continue to upskill its stakeholders (preparers, assurance providers, users of reports, etc.) in light of these significant proposed changes. Based on our experience, many stakeholders may not fully understand how their entity would implement these proposed changes. If the proposals were to be finalised, we would welcome the GHGP providing additional learning materials, workshops, FAQs, etc. to support the upskilling of all stakeholders.

100. Please provide concerns or why you are not supporting [the new guidance for Standard Supply Service (SSS) and requirement that a reporting entity shall not claim more than its pro-rata share of SSS].

Select all that apply

a. Markets should self-determine how resources that fall under SSS are allocated to customers

b. Concern of regionally applicable challenges to implementation

c. Unclear how partial subsidies affect SSS classification

d. Unclear rules/definition of SSS

e. All contractual instruments should be eligible for voluntary procurement.

f. Other (please explain)

101. Please provide comments regarding your selected reasons for why you are not supportive [linked to Question 100].

As currently written, it is unclear what the rules/definitions of Standard Supply Service **(**SSS) are, resulting in unnecessary confusion, especially in those global jurisdictions that do not have publicly funded, mandated, or shared resource arrangements in place. Therefore, we recommend that the GHGP provide additional explanation on the rules/definitions of SSS and the criteria that should be used to assess if an arrangement is subject to the proposed SSS guidance. For example, if an entity opts into their utility provider's renewable energy supply options without a stated allocation for that entity specifically, would this be considered a SSS arrangement? Further, is the intention of the SSS guidance to be only applicable to a government run programme or for it to apply more broadly (as an example, an arrangement with a joint venture that is not a government agency)? We encourage the GHGP to provide further clarity on the definition and believe additional guidance, including illustrative examples, on how to apply the SSS when completing a Scope 2 inventory is critical to successful implementation.

Additionally, on the basis of the proposed Scope 2 guidance, it is not clear what would qualify as a "credible third-party database" if there was the creation of a default option in cases where SSS allocation is not provided by energy suppliers. The language in question is: "If a supplier does not allocate their Standard

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Supply Service resources to customers, reporting organizations may still be able to claim their pro rata share using data from a centralized, credible third-party database anticipated to be developed by the GHG Protocol or another recognized body to support globally consistent implementation. This resource would provide verified SSS allocations or proxy pro rata thresholds based on public ownership, regulatory mandates, or non-bypassable charges, especially in monopoly supplier contexts." We would encourage additional clarity and details on the third-party databases such as their creation, what the source of the information is within the database, and maintenance and updates related to the databases, etc. This additional clarity would remove unnecessary burden on both preparers and assurance providers in needing to understand how to apply the information in these databases and how that information supports the underlying GHGP reporting principles.

We observe that this requirement could impact comparability across entities depending on those that claim their pro rata share and those that do not. In recognition of the GHGP's objective for comparable reporting, these changes could result in an unintended consequence of inhibited comparability. It is also our observation that while the GHGP cannot require suppliers to provide such allocation data, the proposed changes could place increased responsibility and operational burden on utilities and grid providers and redirect resources away from other meaningful decarbonisation activities (e.g., renewable planning and investment).

Finally, we acknowledge that any changes to Quality Criteria 4 and Quality Criteria 5 should equally be applied to the proposed SSS guidance. For example, consistent with our responses the proposed changes in Quality Criteria 4 and Quality Criteria 5, we would support less stringent hourly matching and deliverability requirements (e.g., moving from a "shall" approach to a "may" approach) for SSS allocation.

123. Please provide any additional feedback on residual mix emission factors.

We largely support the proposed updates to the residual mix emission factors as they would establish a clear definition which allows for more feasible implementation and lessens the cost burden for preparers. The proposed definition following a "should" approach rather than a "shall" approach for hourly matching ("Residual mix emission factors **should** reflect the highest temporal precision available for the relevant market boundary") will allow for easier voluntary GHG emission reporting participation, introduce less complexity for GHG emission preparation and assurance services, and limit the need for increased responsibility and operational burden on utilities and grid providers. The proposed updates also help avoid double counting of renewable attributes, contributing to the GHGP's accuracy objective.

Please see our response to Question 128 for additional considerations on the fossil-only emission factor default when no residual mix is available.

127. Please provide reasons for concern or why you are not supporting [the requirement that for any portion of electricity consumption not covered by a valid contractual instrument and where no residual mix emission factor is available, a reporter shall apply a fossil-based emission factor], if any.

Select all that apply

a. Defaulting to fossil-based emission factors is overly conservative and may overstate actual emissions

b. Organizations that lack access to residual mix data due to systemic or regional limitations may be disproportionately impacted

c. Undermines comparability between organizations that can access residual mix data and those that cannot

d. Misaligned with the definition and/or purpose of the MBM

e. Other (please specify)

128. Please provide comments regarding your selected reasons for why you are not supporting [linked to Question 127].

We are largely supportive of the proposed residual mix emission factor and as a result, we are generally supportive of the fossil-only emission factor default in cases that a residual mix emission factor is not available. However, in acknowledgement that many jurisdictions may not have residual mix factors available but may have other regulatory data available, we recommend that the GHGP revise the order in which the fossil-only default is applied: first, to consider any jurisdictional authority information on fossil-only emission factors and then, in the absence of any authoritative jurisdictional information, apply the fossil-only default emission factor. To achieve this recommendation, the GHGP could provide additional clarity in the following statement: "If no such fossil-based emission factor is available, reporters **shall** use a default fossil emission factor from authoritative sources (e.g., IPCC or government-published values such as a coal, gas, or other fossil generation emission factor)." The wording within the parentheses could be clarified to prioritise government published fossil-only emission factor values over other, generically provided fossil-only emission factors.

We also encourage the GHGP to provide additional guidance and/or illustrative examples on how an entity should select a fossil-only emission factor as different fossil-fuels result in different emissions (for example, a natural gas-based emission factor will result in lower emissions than a coal-based emission factor). We acknowledge the language that states, "When selecting a default fossil-based emission factor, reporters **should** use a value that reasonably reflects the predominant fossil fuel used for untracked electricity generation in the relevant market boundary. This determination may consider national or regional electricity generation profiles, historical fuel mix data, or grid operator disclosures. Where no clear information is available, reporters **should** use the most conservative applicable default (e.g., coal or oil) rather than the lowest-emitting option." However, we think additional clarity is required, including through examples on how an entity would select a factor within these guidelines in practice, or by considering making the selection mandatory (i.e., "shall" rather than "should"). In our role as a global assurance and advisory organisation, we observe that not all markets will have clear information available, nor will the most conservative applicable default be known to preparers. This could lead to unintended complexity in determining what default fossil-only emission factor to apply. Without additional clarity and/or illustrative examples, this may result in a general default being taken of the lowest-emitting option.

133. Please provide any additional comments on other feasibility measures (not outlined in questions 131-132) that need adjustment to support implementation of the proposed market-based revisions at scale. Note, any comments on exemptions to hourly matching and the legacy clause should be provided in sections 6 and 7.

The proposed revisions to the market-based method are significant enough that they will materially alter the way many entities calculate their Scope 2 emissions. As a result, previously reported base-year inventories may no longer be comparable or aligned with the proposed, updated methodologies. To maintain the comparability and decision-usefulness of GHG reporting, including certain trend analysis and tracking of emission targets, it will be important for the GHGP to provide clear, detailed and operationally practical guidance and illustrative examples on when and how entities should perform recalculations of their base-year Scope 2 emissions, both at initial adoption of the updated guidance and if and when more precise emissions factors or activity data become available in future years.

We encourage the GHGP to clarify under what circumstances changes to data availability, market boundaries or contractual instrument requirements would trigger a mandatory base-year recalculation, or whether recalculations should apply retrospectively to prior years, or only to the designated base year. Additionally, clarity is required on how an entity should address base-year recalculations when data required under the proposed revisions is not available historically, and how recalculations should be disclosed by preparers who are subject to certain regulatory requirements.

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Without clear guidance on recalculation expectations, entities may reach different conclusions about whether or how to restate base year inventories or comparative information, resulting in inconsistencies and comparability issues in GHG reporting over time.

143. Please briefly explain your rating: identify which accounting areas could be affected and why (for example, IFRS 9 own-use eligibility, hedge accounting, IAS 37 onerous-contract risk), and note the main factors driving the impact (for example, hourly matching, deliverability, contract terms such as tenor, penalties, or close-out provisions).

The proposed deliverability requirements could have significant unintended consequences by directly influencing investment decisions regarding renewable energy and on the renewable energy market itself. The proposals could equally have certain unintended consequences arising from an increased discrepancy in the treatment of a long-term PPA or similar instruments for financial accounting purposes as compared to Scope 2 market-based accounting purposes. The proposed deliverability requirement would limit which market instruments an entity could invest in for purposes of their Scope 2 market-based inventory as, for example, virtual PPAs (vPPAs) would most likely no longer meet the proposed deliverability requirements. However, based on our experience, vPPAs are commonly entered into by entities to secure renewable energy credits and invest in renewable energy. The requirements should focus on transparency and decision-usefulness of GHG reporting, not on achieving changes in the structure of energy markets or market instruments, which is a matter for policy and market regulation.

The proposed updates to Quality Criteria 5 could result in material IFRS/US GAAP financial reporting differences which we strongly recommend the GHGP should consider. We recommend that the GHGP clarify how the proposed deliverability requirement provides benefits to decarbonisation activities that outweigh the additional cost and burden that could be placed on preparers producing IFRS/US GAAP financial statements and the changes in their renewable energy investment decisions.

SECTION 6

153. Option 1. Companies with annual consumption up to [X] GWh/year in a deliverable market boundary may use a monthly or annual accounting interval for Criteria 4 for all operations within that market boundary in accordance with the contractual instruments temporal data hierarchy.

Option 2. Companies that meet the small and medium company categorization may use a monthly or annual accounting interval for Criteria 4 for all operations within that market boundary in accordance with the contractual instruments temporal data hierarchy.

Option 3. Companies with annual consumption up to [X] GWh/year in a deliverable market boundary or meet the small and medium company categorization may use a monthly or annual accounting interval for Criteria 4 for all operations within that market boundary in accordance with the contractual instruments temporal data hierarchy.

Option 4. Companies with annual consumption up to [X] GWh/year in a deliverable boundary and meet the small and medium company categorization may use a monthly or annual accounting interval for Criteria 4 for all operations within that market boundary in accordance with the contractual instruments temporal data hierarchy.

On a scale of 1-5 do you support allowing for exemptions to hourly matching using one of the options (1-4) described above?

1 - No Support 2 - Little Support 3 - Neutral 4 - General Support 5 - Fully Support

154. Please provide your reasons for support [of allowing for exemptions to hourly matching using one of the options (1-4) described above], if any.

Select all that apply:

a. **Reflects a reasonable balance of integrity, impact and feasibility as organizations under a threshold collectively contribute to fewer Scope 2 emissions than the largest consumers**

b. **Encourages organizations under a threshold to continue to engage in voluntary procurement using an annual procurement approach**

c. Provides a more equitable approach for reporting as hourly matching could be more challenging for organizations under a threshold

d. Reduces transition strain on the electricity market and hourly matching infrastructure

e. Other (please provide)

155. Please provide any additional comments regarding your reasons for support [linked to Question 154].

We support establishing an ongoing exemption from hourly-matching for entities that meet certain pre-defined requirements and thresholds, particularly small and resource-constrained entities. We observe that the proposed hourly-matching standard, while it is intended to match more closely market instruments with consumption, introduces a level of operational complexity that is not appropriate or feasible for all reporting entities.

Smaller entities, facilities in emerging markets and entities operating within regulated utility structures may face challenges implementing the requirement or may not currently have access to granular metering, certain tracking systems, and the hourly-based data or contractual instruments required to comply. For many of these entities, achieving hourly matching would require disproportionate investment relative to their electricity usage or overall emissions profile. Additionally, imposing such requirements broadly may potentially discourage participation, reduce comparability, introduce increased complexity to assurance services, and place increased responsibility and operational burden on utilities and grid providers.

Given the exemption options included in the survey, we support an approach that is aligned with Option 3, as we consider it provides a more open and flexible framework that would be based on annual consumption or meeting a certain small or medium company categorisation. Additionally, we believe any final amendments on an exemption threshold should include requirements for transparent and robust disclosures to allow users to distinguish clearly between fully-matched reporting and any alternative approaches used by preparers.

In summary, we support an ongoing exemption from hourly matching to ensure inclusivity, practicality, and consistent global application of the Scope 2 Guidance. A durable, well-defined, exemption policy, with transparent disclosures, provides a proportional approach that best supports the GHGP's objectives of accuracy, comparability, and broad adoption.

163. Which of the four draft eligibility options for an exemption to hourly matching reflect the most reasonable balance of integrity, impact and feasibility of the MBM? Apply the exemption threshold selected in question 159.

a. Option 1

b. Option 2

c. Option 3

d. Option 4

e. None of the above (please explain)

166. Should exemptions be time-limited (i.e. phased-out over time) or ongoing?

a. Time-limited (i.e. phased out over time)

b. Ongoing

c. Unsure

d. Do not support exemptions

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SECTION 7

171. On a scale of 1-5 do you support introduction of a Legacy Clause to exempt existing long-term contracts that comply with the current Scope 2 Quality Criteria from being required to meet updated Quality Criterion 4 (hourly matching) and Quality Criterion 5 (deliverability)?

1 - No Support 2 - Little Support 3 - Neutral 4 - General Support 5 - Fully Support

172. Please provide your reasons for support [an introduction of a Legacy Clause to exempt existing long-term contracts that comply with the current Scope 2 Quality Criteria from being required to meet updated Quality Criterion 4 (hourly matching) and Quality Criterion 5 (deliverability)], if any.

Select all that apply:

a. Reflects a reasonable balance of integrity, impact and feasibility as existing long-term contracts reflect significant financial and operational commitments to energy resources

b. Encourages organizations with legacy contracts to continue to engage in voluntary procurement using an annual procurement approach

c. Provides a more equitable approach by ensuring that early adopters of Scope 2 Guidance are not disadvantaged

d. Helps maintain trust and market confidence in long-term contracts

e. Provides a pragmatic pathway for organizations to transition to updated Quality Criteria

f. Other (please provide)

173. Please provide any additional comments regarding your reasons for support [linked to Question 172].

We fully support the inclusion of a legacy clause to address energy contracts executed prior to the introduction of the hourly matching and deliverability requirements proposed in Quality Criteria 4 and 5. Many entities entered into long-term renewable energy contracts, such as power purchase agreements and renewable energy certificates, based on the rules, expectations and market instruments defined in the 2015 Scope 2 Guidance. In many instances, these agreements represent material financial commitments and reflect investment in renewable procurement at a time when market mechanisms were less mature.

Applying the new hourly matching requirements retroactively would create substantial challenges for these entities. Existing contracts may not provide the temporal granularity, metering data, or frameworks necessary to comply with hourly matching and deliverability compliance. Renegotiating or modifying these agreements may pose legal and operational challenges, particularly where contracts are tied to regulated utility programs or physical generation assets. As a result, imposing strict new requirements on legacy contracts may result in unintended non-compliance, penalise early adopters, and undermine confidence in long-term renewable investments.

A legacy clause would enable entities to continue recognising the emissions benefits of pre-existing contracts for a defined transition period, while providing transparency to users of sustainability information. We encourage any final legacy clause to be accompanied by clear disclosure requirements such as identifying which contracts qualify under the clause and explaining how they diverge from hourly matching and deliverability criteria. This would ensure comparability without forcing entities into costly restructuring of long-standing agreements. Additionally, from an assurance standpoint, a legacy clause provides a clear framework for evaluating historical contracts and updated hourly matching and deliverability contracts within the evolving Scope 2 landscape.

178. If a Legacy Clause is included, please provide comments on the following design elements to balance integrity, impact, and feasibility of the MBM. Respond only to items relevant to your context.

a) **Eligibility by instrument type and term: Define which instruments qualify (e.g., PPAs, utility green tariffs, supplier-specific contracts, unbundled certificates) and any minimum original term, including treatment or eligibility of perpetual or undefined-term contracts.**

b) **Duration of legacy treatment: Specify the time limit or maximum remaining term after which updated Scope 2 Quality Criteria apply to all contracts.**

c) **Allocation rules to prevent legacy contractual instruments being used to target the most challenging hours or locations.**

d) **Transfers and resale requirements when legacy instruments are sold or transferred to third parties.**

e) **Extensions and amendments: Define how contract extensions or material amendments after the cutoff affect eligibility (e.g., whether the extended or modified portion is treated as a new contract subject to updated Scope 2 Quality Criteria).**

f) **Disclosures: Scope and granularity of disclosures for any use of a Legacy Clause (for example separate presentation of MBM results with and without legacy-treated instruments, percentage of contracts covered, share of load covered, expected end date of legacy status).**

g) **Pre-effective-date guardrails: Approaches to discourage contracting intended solely to expand legacy eligibility before the cutoff (for example, disclosure of execution date and negotiation timeline).**

h) **Global equity: Approaches to address regional concentration of eligible contracts and related equity considerations.**

f) Disclosures:

From our perspective as a global assurance and advisory organisation, we support and encourage any finalised legacy clause to be accompanied with clear disclosure requirements. These disclosure requirements should include considerations such as identifying which contracts qualify under the legacy clause and explaining how they diverge from the updated hourly matching and deliverability criteria. This supports comparability without forcing entities into costly restructuring of long-standing agreements.

181. Some stakeholders have outlined a preference for transition tools other than a legacy clause as a way to balance continuity and comparability for the scope 2 MBM.

Which transition approach best balances continuity and comparability for the Scope 2 MBM whilst maintaining integrity, impact, and feasibility?

a. **Legacy clause: allow existing contracts that meet current quality criteria to continue to be reported under the MBM as described in Question 178.**

b. **Uniform effective date: rather than using a legacy clause, instead apply the updated quality criteria to all contractual instruments from a specific date following a defined lead time. Include a separate disclosure that disaggregates results affected by contracts signed prior to this date.**

c. **Other (please specify)**

We support the inclusion of a legacy clause to ensure a fair and orderly transition to hourly matching and deliverability requirements. In many instances, entities, particularly those with long-term renewable energy contracts executed under the 2015 Scope 2 Guidance, lack the contractual frameworks or data infrastructure necessary to comply with hourly and deliverability matching in the near term. Applying the new requirements could penalise entities that acted early in procuring renewable electricity and made long-term commitments based on prior rules.

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A legacy clause would allow entities to continue recognising the benefits of existing contracts, avoiding costly renegotiations and mitigating legal and operational challenges. We recognise that a legacy clause would affect comparability across entities as long-term contracts would remain on the existing Scope 2 Guidance and newer contracts would follow the updated guidance. However, with the appropriate disclosures related to contracts under the legacy clause, the effects on comparability could be mitigated.