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## Log of draft explanations

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## Environment

### ID 647 – Substances of (very high) concern – disaggregation

#### Category

Environment

#### Question asked

Shall the total amounts of substances of concern be provided for every single substance on its own (e.g. total amount of 1,2,3-Trichloropropane) or on an aggregated level (total amount of substances of very high concern)?

#### ESRS Reference

E2-5 paragraph 34

#### Key terms

Substances of concern; substances of very high concern; SoC; SVHC; disaggregation

#### Background

[To better address the issue addressed by the submitter it was agreed to change the question received from: 'Shall the total amounts of substances of concern be provided for every single substance on its own (e.g. total amount of 1,2,3-Trichloropropane, total amount of 1-methyl-2-pyrrolidone etc.) or on an aggregated level (total amount of substances of very high concern)?' to the question **above.**]

Disclosure Requirement ESRS E2 paragraph 34 explicitly requires undertakings to disaggregate the disclosure of "*the total amounts of substances of concern [...] split into main hazard classes of substances of concern*".

Disclosure Requirement ESRS E2 paragraph 35 informs on the necessity to "*present **separately the information for substances of very high concern***".

Disclosure Requirement ESRS E2 paragraph AR 29 states: '*The volume of pollutants shall be presented in mass units, for example tonnes or kilogrammes or other mass units **appropriate for the volumes and type of pollutants being released.***'

Disclosure Requirement ESRS E2 paragraph AR 30 states: '*The information provided under this Disclosure Requirement may refer to **information the undertaking is already required to report** under other existing legislation (i.e., **Directive 2010/75/EU**, Regulation (EC) No 166/2006 "**E-PRTR**", etc.).*'

Directive 2010/75/EU includes a '***List of polluting substances***' (Annex II) as well as emission limit values.

Regulation (EC) No 166/2006, Article 5(1)(a) states: "*The operator of each facility that undertakes one or more of the activities specified in Annex I above the applicable capacity thresholds specified therein shall report the amounts annually to its competent authority, along with an indication of whether the information is based on measurement, calculation or estimation, of [...] **releases to air, water and land of any pollutant** specified in Annex II for which the **applicable threshold value specified in Annex II** is exceeded.*'

## Answer

Every material substance shall be considered.

According to the ESRS the key criterion for level of disaggregation in reporting on substances of concern (and, separately, on substances of very high concern) is by main hazard class. Therefore, undertakings should make sure to disclose by type of substances, but also according to their hazardousness.

The type of substance shall guide the choice of the mass units to use for the reporting. If an undertaking is already required to disclose on substances under existing legislation, it can use the same mass unit adopted in that instance. For example, Directive 2010/75/EU and Regulation (EC) No 166/2006 provide further indications, including lists of polluting substances and emission limit values.

## Supporting material

[Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions \(integrated pollution prevention and control\)](#).

[Regulation \(EC\) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of a European Pollutant Release and Transfer Register](#).

## ID 722– Net zero target

### Category

Environment

### Question asked

If we have set a net-zero target. Does that mean under that ESRS E1 paragraph 60, we cannot use carbon credit to reach our goal?

### ESRS reference

ESRS E1 paragraph AR 32

### Key terms

Net zero target, carbon credit

### Background

ESRS E1 paragraph 34 states that 'If the undertaking has set GHG emission reduction targets<sup>4</sup>, ESRS 2 MDR-T and the following requirements shall apply:

- (a) GHG emission reduction targets shall be disclosed in absolute value (either in tonnes of CO<sub>2</sub>eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value;
- (b) GHG emission reduction targets shall be disclosed for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG

emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target, the share related to each respective GHG emission Scope and which GHGs are covered. The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6). The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credit or avoided emissions as a means of achieving the GHG emission reduction targets;’

ESRS E1 paragraph 60 states that “In the case where the undertaking discloses a net-zero target in addition to the gross GHG emission reduction targets in accordance with Disclosure Requirement E1-4, paragraph 30, it shall explain the scope, methodologies and frameworks applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway) are intended to be neutralised by, for example, GHG removals in its own operations and upstream and downstream value chain.”

ESRS E1 paragraph 61 states that “In the case where the undertaking may have made public claims of GHG neutrality that involve the use of carbon credits, it shall explain:

- (a) whether and how these claims are accompanied by GHG emission reduction targets as required by Disclosure requirement ESRS E1-4;
- (b) whether and how these claims and the reliance on carbon credits neither impede nor reduce the achievement of its GHG emission reduction targets<sup>12</sup>, or, if applicable, its net zero target; and
- (c) the credibility“

### Answer

Please also see answer to ID 432.

GHG emission reduction targets considered in ESRS E1-4 are to be provided on a gross basis. This means that GHG removals, carbon credits or avoided emissions from products and services should not be deducted from the value of reported GHG emission reduction targets and from progress made towards their achievement.

In addition to that, ESRS E1-7 provides a framework for the disclosure of net-zero targets and consequently for the use of removals (including removal credits) in climate-related targets to neutralise residual emissions (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway). Emission reduction carbon credits, as opposed to carbon removal credits, do not qualify to meet a net zero target. As detailed in ID 432, neutralising more than 10% of carbon removals would not qualify to a claim of achieving a net-zero target in accordance with the ESRS definition).

## ID 816 – GHG emissions reduction targets (disclosure of interim targets)

### Category

Environment

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### Question asked

Are target year and interim target years compulsory, both? What happens if there are no interim target years?

### ESRS Reference

ESRS E1 E1-4 paragraph 34 (c) and (d);

ESRS E1-4 paragraph AR 31;

ESRS 2 MDR-T paragraph 80

### Key terms

Interim targets; target year; emissions reduction targets

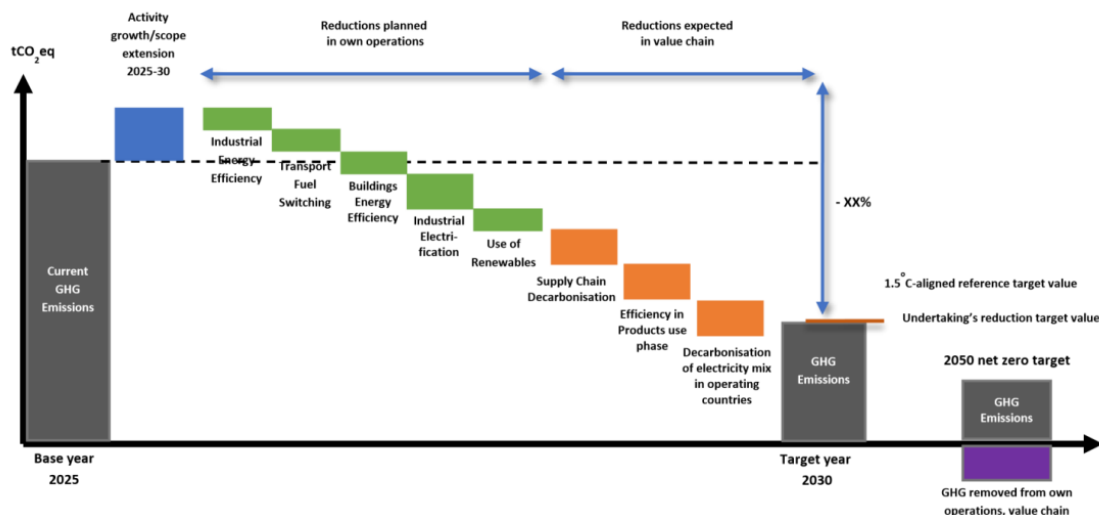
### Background

ESRS E1 E1-4 paragraph 34 states that 'If the undertaking has set GHG emission reduction targets (32), ESRS 2 MDR-T and the following requirements shall apply:

(c) the undertaking shall disclose its current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction targets after every fiveyear period thereafter. The undertaking may disclose the past progress made in meeting its targets before its current base year provided that this information is consistent with the requirements of this Standard;

(d) GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every 5year period thereafter;'

ESRS E1 paragraph AR 31 states that 'The undertaking may present its GHG emission reduction targets together with its climate change mitigation actions (see paragraph AR 19) as a table or graphical pathway showing developments over time. The following figure and table provide examples combining targets and decarbonisation levers:



As stated in ESRS 2 MDR-T paragraph 80, 'For each target, the disclosure shall include the following information: [...] (e) the period to which the target applies and if applicable, any milestones or interim targets'.

## Answer

ESRS 2 requires the disclosure of the period to which the target applies and, if applicable, any milestones or interim targets. This is particularly important for long-term targets, as setting short-term interim targets promotes accountability. However, ESRS E1 mandates fixed dates for target year reporting in 34(d) (2030 and every five years thereafter). If a long-term target is set, such as for 2050, it shall be disclosed if available. In such cases, the company may also disclose interim targets to show progress over time, as illustrated in a graphic or table in AR31.

## ID 818 – GHG emission reduction target (disclosure in CO<sub>2</sub>eq tonnes or percentage)

### Category

Environment

### Question asked

ESRS E1 paragraph 34(a) requires to report GHG emission reduction targets in total of CO<sub>2</sub>e and percentage. Does that mean that 34(b) it is also both options 1)tonnes of CO<sub>2</sub>e and 2)percentage?

### ESRS Reference

ESRS E1 paragraph 34 (a) and (b)  
ESRS E1 paragraph AR 24

### Key terms

GHG emission reduction target

### Background

ESRS E1 paragraph AR 34 (a) and (b) state that *'If the undertaking has set GHG emission reduction targets, ESRS 2 MDR-T and the following requirements shall apply:*

*(a) GHG emission reduction targets shall be disclosed in absolute value (either in tonnes of CO<sub>2</sub>eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value;*

*(b) GHG emission reduction targets shall be disclosed for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target, the share related to each respective GHG emission Scope and which GHGs are covered. The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6). The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets;'*

ESRS E1 paragraph AR 24 states that *'When disclosing the information required under paragraph 34 (b), the undertaking shall specify the share of the target related to each respective GHG emission Scope (1, 2 or 3). The undertaking shall state the method used to calculate Scope 2 GHG emissions included in the target (i.e., either the location-based or market-based method). If the boundary of the GHG*

*emission reduction target diverges from that of the GHG emissions reported under Disclosure Requirement E1-6, the undertaking shall disclose which gases are covered, the respective percentage of Scope 1, 2, 3 and total GHG emissions covered by the target. For the GHG emission reduction targets of its subsidiaries, the undertaking shall analogously apply these requirements at the level of the subsidiary.'*

### Answer

No, ESRS E1 paragraph 34(a) does not require to disclose “tonnes CO2 **and** percentage” but “tonnes CO2 **or** percentage”. The undertaking shall disclose GHG emission reduction targets in absolute value, which can be expressed either in tonnes of CO2eq or as a percentage of the emissions of a base year, depending on which is more appropriate for the undertaking. These targets shall be disclosed for Scope 1, 2, and 3 GHG emissions and the undertaking can report them either separately (for each scope) or alternatively, as a combined target(34(b)). Should the undertaking decide to disclose a combined value (as a single datapoint, being either percentage or tonnes of CO2), the share related to each respective GHG emission scopes shall be disclosed nevertheless to ensure transparency.

## ID 823 – Carbon credits

### Category

Environment

### Question asked

Does ESRS E1 paragraph 56 apply to « Carbon credits » (emitted by independent carbon crediting standards )? Or does this paragraph also apply to avoided emissions or emissions reduction meeting the main criteria relating to carbon offsetting (Measurable, Verifiable, Permanence, Additionality) but that do not generate carbon credits stricto sensu (no registry / independent standard, but a real methodology verified by an independent third party and a regular control)?

### ESRS reference

ESRS E1 paragraph 56 ; ESRS Disclosure Requirement E1-7

### Key terms

Carbon credits, avoided emissions

### Background

The disclosure requirement E1-7 on GHG removals and GHG mitigation projects financed through carbon credits does not directly tackle the avoided emissions. As ESRS E1 paragraph 53 states: *“The undertaking shall disclose:*

*(a) GHG removals and storage in metric tonnes of CO2eq resulting from projects it may have developed in its own operations, or contributed to in its upstream and downstream value chain; and*

*(b) the amount of GHG emission reductions or removals from climate change mitigation projects outside its value chain it has financed or intends to finance through any purchase of carbon credits.”*

GHG removal and storage are defined as follow in the Glossary: *“(Anthropogenic) Removals refer to the withdrawal of GHGs from the atmosphere as a result of deliberate human activities. These include enhancing biological sinks of CO2 and using ESRS E1 Climate change chemical engineering to achieve long-term removal and storage. Carbon capture and storage (CCS) from industrial and energy-related*  
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*sources, which alone does not remove CO<sub>2</sub> in the atmosphere, can reduce atmospheric CO<sub>2</sub> if it is combined with bioenergy production (BECCS). Removals can be subject to reversals, which are any movement of stored GHG out of the intended storage that re-enters the surface and atmosphere. For example, if a forest that was grown to remove a specific amount of CO<sub>2</sub> is subject to a wildfire, the emissions captured in the trees are reversed.”*

Carbon credit is defined as follow in the Glossary: “A transferable or tradable instrument that represents one metric tonne of CO<sub>2</sub>eq emission reduction or removal and is issued and verified according to recognised quality standards.”

Recognised quality standards for carbon credits are defined as: *Quality standards for carbon credits that are verifiable by independent third parties, make requirements and project reports publicly available and at a minimum ensure additionality, permanence, avoidance of double counting and provide rules for calculation, monitoring, and verification of the project’s GHG emissions and removals.*

### Answer

The objective of the disclosure requirement E1-7 is “to provide an understanding of the extent and quality of carbon credits the undertaking has purchased or intends to purchase from the voluntary market”. Carbon credits are “transferable or tradable instrument that represents one metric tonne of CO<sub>2</sub>eq emission reduction or removal and is issued and verified according to recognised quality standards.” Emission reductions stemming from activities that ensure additionality, permanence, and avoidance of double counting would not be considered as “carbon credits” if no transferable or tradable instrument has been issued – even if the emission reductions have been (independently) verified to the requirements of a recognised quality standard in accordance with ESRS definition.

Furthermore, the definition of carbon credits encompasses emission reductions and removals – both defined in the ESRS Glossary - but not avoided emissions, a concept which is not defined in the ESRS and that, as per ESRS definition, is not to be counted as an emission reduction.

## ID 836 – Emissions factors and GWP values

### Category

Environment

### Question asked

Question 1: According to E1 AR 39 b, the undertaking has to disclose emission factors used - does this refer to actual values or a list of all sources per emission category only? How the emission factors should be disclosed in case they come from a proprietary database and disclosing them would violate the license agreement of database provider?

Question 2: According to E1 AR 39 b, the most recent GWP according to the IPCC should be used. If some of the most suitable emission factors are only available with GWP using previous IPCC Assessment Reports than AR6, is it ok to use emission factors according to e.g. AR 5 for consistency?

### ESRS reference

ESRS E1 paragraph AR 39

### Key terms

Emissions factors, GWP values

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## Background

ESRS E1 paragraph AR 39 states that *“When preparing the information for reporting GHG emissions as required by paragraph 44, the undertaking shall:*

*(b) disclose the methodologies, significant assumptions and emissions factors used to calculate or measure GHG emissions accompanied by the reasons why they were chosen, and provide a reference or link to any calculation tools used;*

*(d) use the most recent Global Warming Potential (GWP) values published by the IPCC based on a 100-year time horizon to calculate CO<sub>2</sub>eq emissions of non-CO<sub>2</sub> gases”.*

*MDR-M: For each metric, the undertaking shall: (a) disclose the methodologies and significant assumptions behind the metric, including the limitations of the methodologies used;*

## Answer

Question 1: Please refer to ID 251.

Question 2: Regarding GWP values, the undertaking shall use the most recent value. However, if the emission factor available for the undertaking is built on an older GWP value than the latest published by IPCC, the undertaking may decide to use the emission factor but to meet the requirement of AR39(d) it will need to adjust it to consider the appropriate GWP values.