

# **GHGP SCOPE 2 GUIDANCE PUBLIC CONSULTATION EFRAG CONTRIBUTION**

SRB 28 January 2026



## DISCLAIMER

The views expressed in this presentation are those of the presenter, except where indicated otherwise. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

# EFRAG comments to GHGP Scope 2 consultation

## Background and objective

1. The objective of this meeting is to approve the proposed content of EFRAG comments to GHGP (Greenhouse Gas Protocol) Scope 2 consultation
2. The following slides present a summary of key messages proposed to be raised in a staff-to-staff response to GHGP, which are made following the discussion with SR TEG on 18 December 2025, the preliminary orientations discussed by the SRB on 21 January 2026, and the SR TEG session on 22 January 2026.
3. The findings capitalise on input of EFRAG SRB, EFRAG SR TEG and engagement with key stakeholders.
4. Proposal to stop at key sections to hear SRB remarks on the key messages presented.

### Question to EFRAG SRB:

Does SRB agree with the objective and method (4)? If not, please share your comments.

# EFRAG comments: summary

## Overview of key messages presented in the next slides

1. General insights
2. Remarks on the revised **definitions and purpose** of LBM (location-based method) and MBM (market-based method)
3. Concerns about **mandatory hierarchy for emission factors** (EFs)
4. Recommendations to improve the **'accessibility' definition**
5. Hourly-matching criteria: consequences on economics and decarbonisation
6. Deliverability (quality criteria 5)
7. Impacts on PPA stemming from **hourly-matching (quality criteria 4)**
8. Guidance for Standard Supply Service
9. Updated definition of residual mix emission factors
10. Fossil-based emission factors
11. Hourly matching exemption threshold
12. Legacy clause considerations

## General insights

EFRAG acknowledges the substantial work on the Scope 2 Guidance and welcomes the ambition of improving comparability and accuracy of Scope 2 measurement.



### PROCESS & GOVERNANCE

- EFRAG recommends that future consultations are **consistently carried out over a sufficiently long consultation period** (e.g. a minimum of 120 days), in line with their increasing regulatory relevance.
- In some instances, consultation introduce challenges by seeking feedback on **directional proposals** without complete draft text. We recommend that consultations are, where possible, based on concrete draft amendments rather than high-level direction only.
- We underline the need of alignment between GHGP standards. It is noted that key concepts vary across GHG Protocol documents, e.g. ‘comparability’ (e.g. ‘comparability’ as a principle vs. an explicit purpose) which may risk misalignment and confusion.



### IMPLEMENTATION & COST

- We highlight the need to **balance complexity and cost-effectiveness** and recommend to pilot the Guidance before full rollout (not foreseen currently in std. development plan). Stakeholders suggest a cost-benefit analysis for key changes, such as the most precise EF or hourly matching.



### PRINCIPLES & SUBSIDIARITY

- As a general approach EFRAG Secretariat recommends that the **GHG Protocol focuses on defining principles**, leaving technical definitions (e.g. grid boundaries, SME’s and emission factors) to **local jurisdictions to ensure practical implementation**. This includes decisions on technical design and the appropriate level of prescriptiveness (“shall”/“may”), reflecting jurisdiction-specific data availability, market structures and regulatory frameworks.
- In light of the increasing incorporation of the GHG Protocol into mandatory sustainability reporting frameworks (including ISSB-aligned standards and ESRS), EFRAG recommends that the application of GHG Protocol guidance gives due consideration to the principle of subsidiarity, particularly where guidance may have jurisdiction-specific regulatory, financial reporting or market implications.

## Revised definitions and purpose of LBM and MBM



### PROPOSED GHGP REVISION

To refine the definition of scope 2 emissions and clarify that scope 2 **must only** include emissions from **electricity** generation processes that are **physically connected to the reporter's value chain** and exclude any unrelated emissions

Define key overarching purposes for both the location- and market-based methods, e.g. through adding 'improving comparability' to LBM.



### EFRAG COMMENT PROPOSED

EFRAG notes that full assessment of proposal is challenging due to lacking definitions '**physically connected to the value chain**' which is key in understanding the proposed revision.

We consider important that GHGP takes into account that tracing the **physical origin of electricity** is complex and often unfeasible.

We strongly recommend **clarification whether 'electricity'** is used as shorthand for 'electricity, heat, steam and cooling', or it is intended to indicate electricity only.

We emphasise the **need of alignment** of concepts and terminology between different GHGP standards (e.g. 'comparability' as a principle; vs. comparability as a purpose)

## LBM | Concerns about mandatory EF hierarchy



### PROPOSED GHGP REVISION

Updates centre on a new emission factor hierarchy that provides more guidance on spatial and temporal granularity.

**Reporters must use the most precise location-based emission factors on the hierarchy accessible** to them and matched to the same precision of their available activity data.

Companies would be directed to prioritise emission factors using the most precise location information (i.e., spatial boundary) first, followed by the most precise time matching (i.e., temporal granularity).



### EFRAG COMMENT PROPOSED

While recognising the goal, we are concerned that the **complexity** of this mandatory provision could undermine the key role of **location-based method as an accessible entry point** for all reporters. EFRAG underlines the importance of keeping the rules behind LBM as simple as possible.

We also recommend that conducting **cost-benefit analysis** would be beneficial to balance precision and practicality of the revision and avoid undue cost and effort. Stakeholders note potential risks to hinder comparability, placing indirect pressures on EF providers, as well as increased preparation and audit costs.

We support using the most granular EF available as a **recommendation rather than a requirement**, allowing flexible implementation for programmes and jurisdictions.

## Recommendations to improve the ‘accessibility’ definition



### PROPOSED GHGP REVISION

A new concept of *accessibility* is introduced for emission factor sources.

Proposed revision text: *‘Accessible emission factors are those that are: **publicly available, free to use**, and from a **credible source** (such as a government agency, system operator, or recognized registry). If a higher-quality factor exists but is not publicly available or requires payment, it may be used, but it is not required even if it ranks higher in the hierarchy.’*



### EFRAG COMMENT PROPOSED

We suggest considering closer alignment of definition of ‘accessible’ with existing standards and regulations.

The notion of requiring ‘**free to use**’ emission factors may carry indirect cost implications and possible reference to the principle of ‘**undue cost and effort**’, in line with ESRS and IFRS standards, should be considered in recommending the use of the EF hierarchy.

We suggest emphasising that the definition of ‘**credible sources**’ relies on qualitative, principle-based criteria (e.g. ESRS approach) rather than a pre-defined list.

We also underline importance of jurisdictions/programmes providing EF’s and EF’s data sets fulfilling quality criteria. EU stakeholders have expressed a desire for a single, consistent reference source for EU-wide emission factors, recognising that achieving this would require coordinated action at EU level, building on existing European arrangements.

## MBM | Hourly Matching (Quality Criteria 4)



### PROPOSED GHGP REVISION

Require organisations using contractual instruments to match them to electricity consumption hourly. This requirement would apply only to contractual instruments not to totals reported using residual mix or other default factors.



### EFRAG COMMENT PROPOSED

To enhance temporal correlation of energy supplied and consumed, we recommend focusing on **flexibility** and **transparency** rather than mandatory requirements.

Stakeholders voice significant concerns about market disruption, undue cost and effort, disincentivising investment in decarbonisation within EU market and lack of infrastructure and market readiness to comply with the requirement.

The requirement of hourly matching can risk favouring certain generation sources over others, potentially undermining the **technology neutral nature** of the standard. Moreover, we suggest considering its utility and impact in the view of technological developments such as **energy storage** (e.g. battery) systems.

EFRAG suggests to prioritise practical, **voluntary implementation** of the provisions that closely aligns with data and market maturity. This approach would ensure compatibility with **current EU simplification efforts** and global certificate registry capabilities.

## MBM | Quality Criteria 5 – Deliverability



### PROPOSED GHGP REVISION

All contractual instruments used in the market-based method **shall** be sourced from generation that is deemed deliverable to the consuming load.

Deliverability **shall** be demonstrated using one of the approved methodologies listed in the table *Proposed methodologies for demonstrating deliverability (defined zonal pricing boundaries)*.



### EFRAG COMMENT PROPOSED

We recognise the intention of enhancing the integrity of reporting and addressing double counting. However, we are concerned that the proposed revision may result in implementation challenges and complexities that could result in market fragmentation, undermining support for renewable energy.

Given the structure of electricity systems, we caution against using zonal pricing boundaries to denote ‘deliverability’ as potentially disruptive to economic reality.

It is recommended that GHGP defines overarching, **guiding principles** for what constitutes ‘deliverability’ (for example the RE100 market boundary technical criteria). Specific technical definitions should be left to jurisdictions to better reflect regional specificities.

To address comparability concerns across jurisdictions, we support recommending transparency on the spatial boundaries and suggest that current requirement to demonstrate ‘deliverability’ is considered on a voluntary basis.

## Impacts on PPA stemming from hourly-matching



### PROPOSED GHGP REVISION

The consultation includes targeted questions on potential financial reporting implications when accounting for nature-dependent electricity contracts, with reference to IFRS 9 own-use and hedge accounting, and IAS 37 onerous contracts.



### EFRAG COMMENT PROPOSED

The stakeholders raise concerns about the mismatch of the revisions (in particular, the hourly matching) with current financial reporting approaches.

To ensure conceptual **alignment** and **connectivity between sustainability and financial reporting**, it is strongly recommended that the proposed revision aligns recent **IFRS 9 amendments** and the introduced ‘own use’ exemption for PPA contracts. This consideration is critical to preserve corporate income statement stability and prevent unintended financial volatility.

We also caution about hourly matching requirement interaction with **PPA as hedging instruments**. The assessment of ‘highly probable’ electricity purchases or sales should remain feasible and practical, ensuring continuous viability of renewable energy projects and overall market development, particularly for contracts bundling RECs with PPAs.

To avoid disincentivising new projects, we suggest that such changes are introduced **gradually and prioritise feasibility, alignment with financial accounting rules and market readiness**. This will mitigate risks of disrupting current economic conditions while supporting the integrity of emission reporting. The sequencing, feasibility and interaction with financial accounting requirements are better addressed at jurisdictional level, considering local market structures and regulatory frameworks.

## Guidance for Standard Supply Service



### PROPOSED GHGP REVISION

GHGP provides new guidance for Standard Supply Service (SSS)

Clarify requirement that a reporting entity shall not claim more than its pro-rata share of SSS.

If a reporting entity chooses not to claim its share, that portion shall not be transferred or used to substantiate claims by another reporting entity, helping prevent inflated or duplicative reporting.



### EFRAG COMMENT PROPOSED

*While the objective of preventing inflated claims is supported, the proposed SSS guidance would benefit from clearer, market neutral and jurisdiction-applicable framing.*

**Market neutrality / applicability:** The proposed SSS guidance reflects features of the US electricity market and regulated retail supply. In predominantly competitive EU markets, SSS should be defined in a more generic, market-neutral manner to ensure applicability beyond the US context.

**Interaction with public support schemes (FIT):** In EU contexts, the treatment of Guarantees of Origin linked to electricity supported by feed-in tariffs is typically a policy decision, with such attributes often retained or cancelled and excluded from voluntary markets. SSS guidance should avoid prescribing outcomes that override jurisdiction-specific policy choices.

**Scope and proportionality:** EFRAG suggests limiting SSS guidance to contexts where such services are relevant, and avoiding broad requirements that may not be applicable to competitive markets or certain categories of assets and preparers.

## MBM | Updated definition of residual mix emission factors



### PROPOSED GHG REVISION

The proposed updated definition would address that Standard Supply Service should be excluded from the residual mix along with contractual instruments voluntarily claimed.

The proposed update would clarify that while residual mix emission factors should reflect the highest temporal precision available for the relevant market boundary, hourly matching is not required.



### EFRAG COMMENT PROPOSED

EFRAG supports clarifying the residual mix concept to prevent double counting of electricity emission claims. However, the proposed definition and composition requirements explicitly reference Standard Supply Service, which is a jurisdiction-specific market construct and not universally applicable.

EFRAG therefore recommends clearly distinguishing between (i) a global, principles-based residual mix definition, and (ii) jurisdiction-specific implementation guidance addressing particular market arrangements, such as regulated default supply.

Given that residual mix factors are not always available or of sufficient quality in all jurisdictions, EFRAG further recommends focusing on improving their quality, transparency and availability, rather than prescribing detailed methodological requirements (e.g. spatial or temporal boundaries) in the core definition.

## Fossil-based emission factors



### PROPOSED GHGP REVISION

The proposed update would eliminate the option to use a grid-average emission factor and proposes that for any consumption not matched with Standard Supply Service (SSS) or voluntary contractual instruments, organisations would be required to either use a residual mix emission factor that excludes all claimed and SSS contractual instruments, or default to either a fossil-only grid-average or fossil emission factor, such as gas, oil, or coal.



### EFRAG COMMENT PROPOSED

EFRAG understands the objective of avoiding underestimation of Scope 2 emissions, but questions the representativeness of a mandatory fossil-only fallback where no residual mix factor is available.

Given the diversity of electricity systems, such an approach may materially overestimate emissions in some jurisdictions.

EFRAG therefore recommends prioritising the quality and representativeness of emission factors, with jurisdiction-specific development of appropriate fallback values.

## Exemptions | Hourly matching exemption threshold



### PROPOSED GHGP REVISION

Proposition of exemption from proposed hourly matching requirements (Quality Criteria 4) for companies that meet defined **eligibility thresholds**.

Organisations that qualify may use a monthly or annual accounting interval instead.

The proposals under consideration for defining exemption eligibility includes thresholds based on the **electricity consumption** in each grid region and/or based on **company size (turnover, employees no., balance sheet)**.



### EFRAG COMMENT PROPOSED

EFRAG notes that exemption thresholds based on company size (employees, turnover, balance sheet) risk misalignment with jurisdictional rules and may create administrative burdens. Instead, thresholds should be set by **local jurisdictions** to align with their regulatory frameworks.

We also question whether a **top-down exemption threshold** is the most effective way to address the complexity of Quality Criteria 4. A more **flexible, principles-based approach** - prioritising transparency, materiality and market readiness - would better accommodate diverse contexts and support consistent application.

If thresholds are considered necessary, consumption-based criteria may be more appropriate than company size, provided they reflect market realities such as data availability and regulatory alignment.

## Legacy clause considerations



### PROPOSED GHGP REVISION

GHGP is considering a legacy clause as a transition option to ensure continuity in scope 2 MBM reporting for qualifying legacy investments. Consequently, the GHGP consultation invited stakeholder feedback on the appropriateness of including a legacy clause and on its potential design (eligibility criteria, effective date, etc.)



### EFRAG COMMENT PROPOSED

EFRAG recognises that legacy clauses are being considered to mitigate potential disruption arising from the proposed revisions.

However, such need largely reflects the prescriptiveness and jurisdiction-specific assumptions of the proposals. Where a principles-based, jurisdiction-agnostic approach is adopted, legacy provisions may be reduced or unnecessary.

Any decision on the use and design of legacy clauses should therefore be left to jurisdictions, in line with subsidiarity.



Follow us



35 Square de Meeûs, B-1000 Brussels  
[info@efrag.org](mailto:info@efrag.org) - [www.efrag.org](http://www.efrag.org)



EFRAG is co-funded by the European Union through the Single Market Programme in which the EEA-EFTA countries (Norway, Iceland and Liechtenstein), as well as Kosovo participate. Any views and opinions expressed are however those of the presenter only and do not necessarily reflect those of the European Union, the European Commission or of countries that participate in the Single Market Programme. Neither the European Union, the European Commission nor countries participating in the Single market Programme can be held responsible for them.

THANK YOU