



INTRODUCTION FOR CERTIFICATE HOLDERS AND APPLICANTS

GREENHOUSE GAS EMISSIONS REPORTING FOR CERTIFIED COMMODITIES

Version 1.0

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INTRODUCTION

This document represents a short 'start here' level introduction to the 'Accounting & Reporting the Emissions of Certified Commodities' suite of guidance documents. There are four such introductory guides: for ISEAL member schemes and other sustainability systems, for certificate holders/applicants (this document), for assurance and oversight providers, and for buyers of certified goods. It is recommended that each stakeholder group begins with their respective 'start here' document, followed by the general 'Introductory Guidance' document, which goes into more contextual detail and finally the 'Guidance for Sustainability Systems to Design and Implement Credible Greenhouse Gas Reporting Systems'. The latter is directed at sustainability systems, but other stakeholders may find it interesting to review the more detailed approaches recommended.

WHO?

This document is specifically aimed at Certificate Holders and potential applicants for certification (henceforth 'CH/A') with ISEAL member schemes or other sustainability systems that have or are commencing on a process to align their certification of commodities and chains of custody models with emissions reporting good practices.

The CH/A community for each scheme will reflect the nature of the work entailed. It is also likely that the community includes everything from very large multi-national corporation producers to smallholder and developing country cooperatives. The benefits of participating in the member's Greenhouse Gas Reporting Systems will vary accordingly, but the broad aim for everyone is to participate in and realise the benefits of working towards mitigating the climate emergency.

WHAT?

This suite of guidance supports sustainability systems to quantify and attribute emissions data to their commodity certification and credibly allocate those benefits to companies in support of their corporate inventory targets and reports.

The guidance envisages the creation by sustainability systems of a Greenhouse Gas Reporting System that includes the planning, engagement, mapping, design, implementation, governance and continuous improvement of approaches to quantify, attribute and allocate emissions data. Such systems will require oversight and assurance procedures to align with them.

The guidance refers to the pre-eminent emissions reporting and target-setting frameworks; the [Greenhouse Gas Protocol](#) and [Science Based Targets](#). Other systems of equal or greater rigour may emerge in future, in which case the guidance may be updated to accommodate. The guidance also covers the interface of corporate emissions reporting with impact incentives, such as ecosystem services and carbon markets.

For the CH/A community the guidance will inform the standards requirements, guidance, assurance, tools and processes to be followed to quantify, attribute and allocate emissions data. These will vary from member to member; for some it may involve a relatively simple application of an online calculator and a check by an assurance provider, for others it may involve direct measurement of input data onsite. The development of a Greenhouse Gas Reporting System as envisaged in the guidance documents is to include all stakeholders in a 'discovery phase' and ongoing feedback loop, in order to create a system that can be used practically and equitably by the whole community.

WHY?

In the context of the [climate emergency](#), companies are increasingly held to account by regulation, consumers, investors and the public for their climate impact. Historically that action has been criticised for a lack of transparency and rigour and for prioritizing claims such as offsetting and carbon neutrality over the decarbonisation of a company's own footprint.

In 2022, the Science Based Targets Initiative (SBTi) released its landmark '[Net Zero Standard](#)' that prioritises 'Value Chain Abatement', which includes the abatement of emissions in value chains (Scope 3) whilst recognising the benefit of also taking responsibility for residual emissions along the decarbonisation journey.

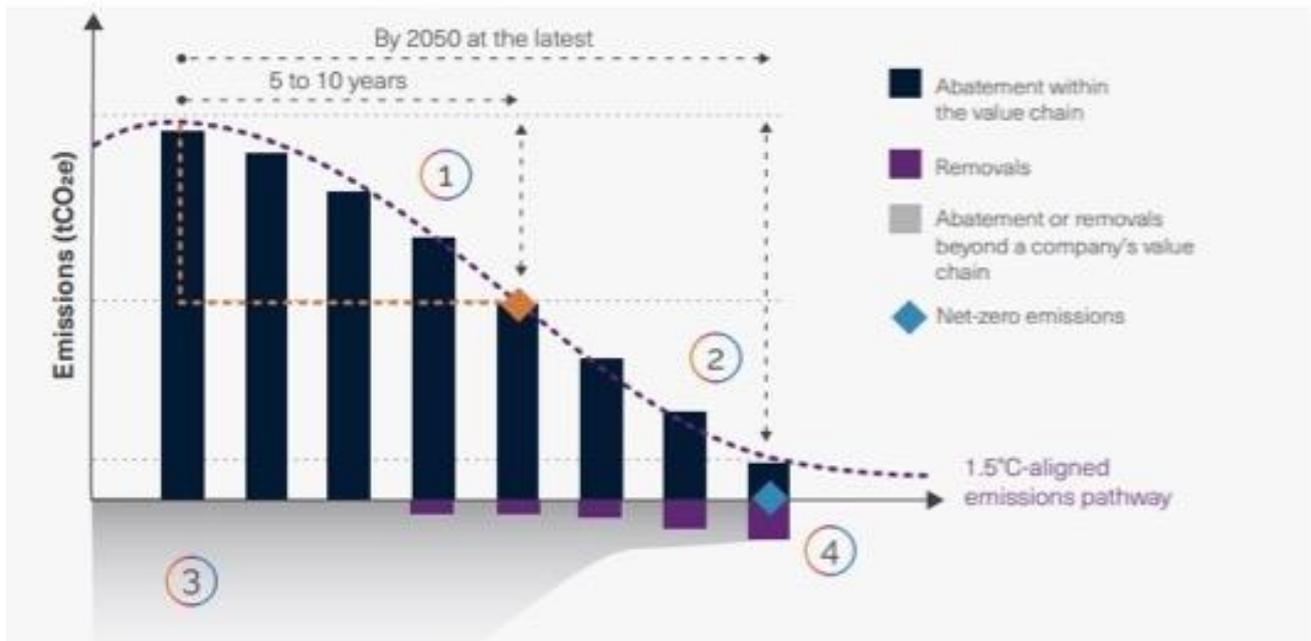


FIGURE 1: excerpt from *Science Based Targets Net Zero Standard*

The Net Zero Standard, in line with science, calls for a 50% reduction in emissions by 2030 and a 90 to 95% abatement of company emissions by latest 2050, of which a major portion for many companies will be related to their supply chain.

Within the supply chain, a major proportion of emissions, particularly for consumer goods companies, relates to the goods they purchase. It is in this space that sustainability systems that certify commodities have the potential to add value, given their ability to administer and allocate commodity certificates to purchasing companies.

The guidance therefore seeks to assist sustainability systems in creating the systems of quantification, attribution and allocation¹ of emissions to serve this emerging incentive. Each scheme will have its own nuanced 'why' for considering this guidance. It is likely that these will fall across a number of categories, such as:

¹ Quantification – how emissions data is calculated, collated and presented for accounting. Attribution – how the data is then attributed to specific commodities/certificates. Allocation – how those certificates (and the attributed data) is allocated to purchasing companies.

1. Mission and stakeholder driven desire to align with good practices as a response to the climate emergency
2. Mitigation of risk and obsolescence as more and more companies demand emissions data, allocation and ongoing decarbonisation in line with science
3. Response to producer and/or buyer demand
4. To realise potential price premiums or preferential procurement for certified goods and to encourage and increase demand for sustainable commodities
5. To drive consistency, quality and integrity within a given sector and to demonstrate good practices to the wider world

Of specific interest to the CH/A community will likely therefore be any additional requirements and processes to be followed and how the potential benefits of increased demand, preferential procurement and price premium may be realised. It is also a risk mitigation factor, noting that as companies increasingly expect this data to be made available, participating in such a scheme will reduce the risk of the oppositional dis-benefits being realised.

HOW?

The guidance aligns with the accounting norms of the Greenhouse Gas Protocol and is thus focused on the quantification, attribution and allocation of emissions data to certified commodities. This is explained in **Box 1**, below:

BOX 1: CORPORATE ACCOUNTING FOR PURCHASED GOODS

Companies report purchased goods based on the volume they purchased in a given time period (typically a year) multiplied by the emissions intensity of each unit (i.e. how much greenhouse gas is emitted from processes/sources associated with the production of each unit). A reduction in emissions intensity makes a commodity potentially more attractive for purchase as it will progress the purchaser towards their science-based emissions reduction target.

Emissions intensity is calculated as the sum of all the sources of emissions associated with production, divided by yield, to provide a per unit metric. The sources are identified and quantified using Life Cycle Assessment/Inventory techniques, explained in greater detail in the guidance.

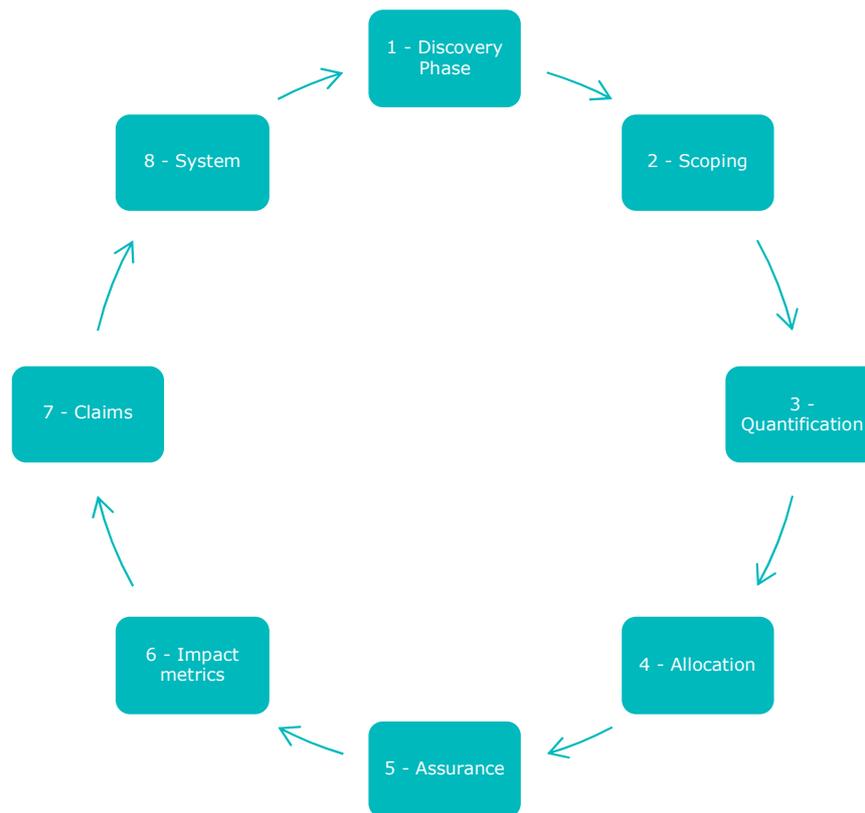
Companies may report either the specific emissions data for goods they purchase, where traceability exists, or an average emissions factor to the most granular level available (for example a regional or global factor). Though there is an emerging discourse on market-based allocation in the absence of traceability, this work remains nascent and not yet fully legitimised.

The guidance envisages the creation of a GHG Reporting System comprising of eight elements to be worked through as a cycle. It may be that a member is beginning the process from scratch and starts at Element 1, before reviewing the scheme ongoing as part of Element 8. Another member may already have some aspects in place and use the guidance to audit their existing system for further improvement and alignment with good practice.

It is noted that the guidance itself is not designed for formal adoption by members, but rather the output (the GHG Reporting System, built of the eight elements) is detailed in **FIGURE 2**, below.

The typical role of the CH/A community is as follows:

1. To adopt an understanding of the need to participate in global mitigation efforts, whilst recognising the potential risks and opportunities associated with additional effort where it arises.
2. To be involved in the 'discovery phase' (Element 1) and feed into the scoping any relevant input concerning technical and resource capacity and risk management concerning the inclusion of emissions data assessments. Of particular relevance will be to convey the potential capacity and resources needed to deliver on the expectations of the GHG Reporting System.
3. To closely follow, engage with the development process of and ultimately adopt the management practices associated with emerging standards requirements, guidance, tools, assurance processes and claims that are released under the GHG Reporting System.
4. To proactively engage with buyers to understand the potential for financial, procurement or other types of support that may be available, particularly for those producers seeking to go beyond the certification trajectory and reduce or remove further emissions.



- 1.** Engage with stakeholders, understand capacities, opportunities and risks. Map included standards, commodities and geographies.
- 2.** Map the commodities and their processes to be included in the GHG Reporting System and consider what traceability profiles each may have.
- 3.** Take the output of Element 2 and create and/or recognise data quantification and quality methods, i.e. how to quantify the emissions associated with commodities and attribute them to certificates.
- 4.** Based on decisions to date, decide how certificates (and thus emissions data) will be allocated to corporates.
- 5.** Develop an overview of how Elements 1-4 will be assured within the system.
- 6.** Consider the relationship of inventory reporting data with impact data, such as carbon markets or ecosystem services.
- 7.** Develop additional claims guidance to supplement the wider system, where needed.
- 8.** Create the management and governance systems to oversee the progress of the GHG Reporting System and repeat the discovery phase towards continuous improvement.

FIGURE 2: Overview of the eight GHG Reporting System elements

TO GET STARTED

Clearly the pace and scope of the GHG Reporting System development itself will have a major influence on the involvement of the CH/A community. Depending on how far advanced the development is, resources may need to increase to meet demand. Assuming that the GHG Reporting System is entering its discovery phase (Element 1), the following is recommended:

1. Express interest of involvement to the sustainability system and seek endorsement from company or cooperative management to engage. Notifying potential stakeholders can also generate interest and support.
2. Appoint an internal resource to coordinate efforts to engage with the GHG Reporting System. This resource does not necessarily have to be an emissions accounting expert as the team can be supplemented with this expertise later if needed. Literacy is helpful and training courses are available.
3. Internal resource(s) should be directed to consider some key reference material, as follows:
 - a. SBTi Net Zero Standard and WWF Blueprint for Corporate Action on Climate and Nature
 - b. Greenhouse Gas Protocol Scope 3 Standard (Chapters 1 to 4 provide a good introductory overview) and Scope 3 Guidance (especially 'Category 1, Purchased Goods and Services')
 - c. The introductory and main guidance documents in this series, particularly Element 5
 - d. ISO14065
4. As the GHG Reporting System progresses, consider how the emerging standards requirements, processes, tools, guidance and assurance approaches can be most efficiently adopted into the management planning for certification.

Overall, while the implication of emissions accounting points to some additional effort on the part of all stakeholders, the CH/A community is encouraged to embrace the opportunity for both support and risk mitigation.

RESOURCES NEEDED

Aligning with the emerging GHG Reporting System of member schemes will likely require a range of resources. Whilst the initial steps above can likely be conducted largely with existing in-house expertise, the overall creation of a system is likely to need a range of resources including for:

- Appointing a lead resource and training them where necessary, and seeking endorsement and support from senior management, board and key stakeholders
- Participating in the discovery phase of the GHG Reporting System development and related events and opportunities
- Ongoing engagement with the process and preparedness to adopt new standards requirements, tools, processes, guidance and assurance approaches when released
- Capacity building and training materials for, for example for team members and a roster of experts
- Updates to quality management procedures, assessment criteria and document control

RECOMMENDED READING

- WWF’s Blueprint for Corporate Action on Climate and Nature gives a good overview of civil society expectations for corporate responsibility with regards climate action. It refers to other documentation in this list.
- The Science Based Targets Initiative Net Zero Standard and introductory materials are good for understanding how value chain abatement, where this guidance fits, is to be targeted and reported.
- The Greenhouse Gas Protocol is the underlying accounting framework that SBTi applies. The Scope 3 Standard and especially the Scope 3 Guidance (especially Category 1, Purchased Goods and Services) are the cornerstone of the quantification, attribution and allocation of emissions. Although not published at the time of writing, the GHG Protocol has also announced plans to release guidance for land-based emissions. This development should be monitored.
- ISO14065