



INTRODUCTION FOR OVERSIGHT AND ASSURANCE PROVIDERS

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 schemes (this document), certificate holders/applicants, assurance and oversight providers and buyers. 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, as the title suggests, 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 Oversight and Assurance Providers to 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.

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.

The expected output of applying this guidance is therefore a robust, credible, good practice aligned Greenhouse Gas Reporting System that governs the quantification, attribution and allocation of emission data to commodity certificates. This document explains briefly how Oversight and Assurance Providers are involved.

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 prioritising 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 also recognising the benefit of also taking responsibility for residual emissions along the decarbonization journey.

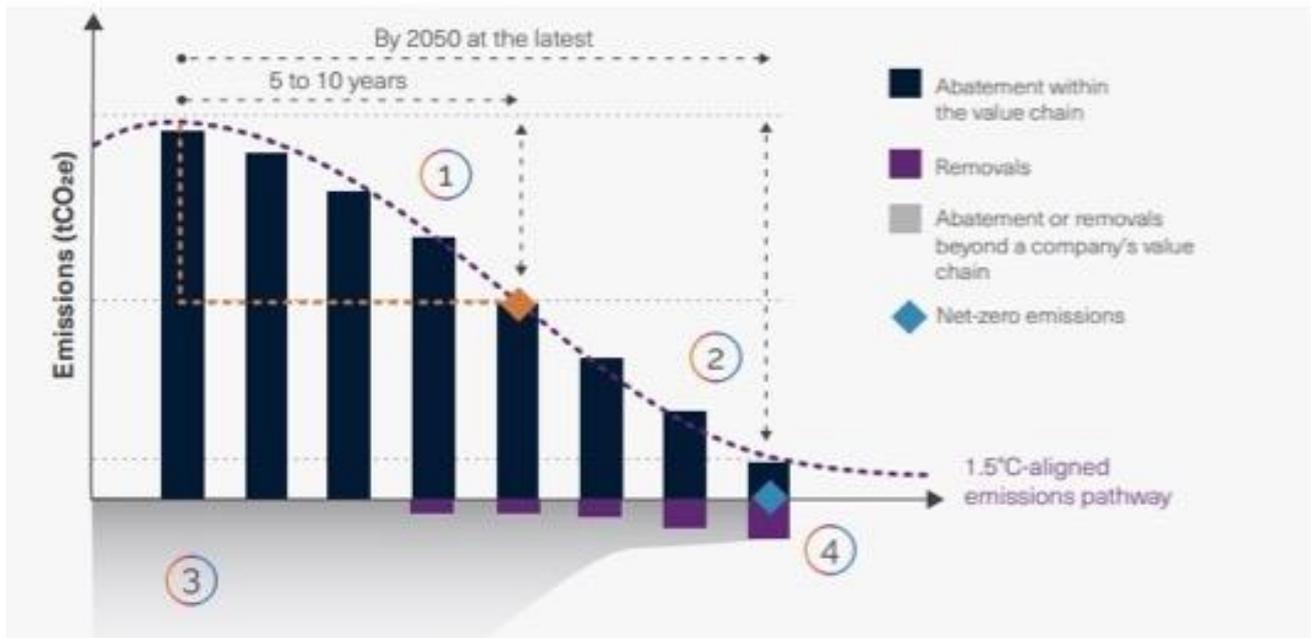


FIGURE 1: excerpt from *Science Based Targets Net Zero Standard*

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 seeks therefore seeks to assist members to create the systems of quantification, attribution and allocation¹ of emissions to serve this emerging incentive.

Each member 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 decarbonization 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

Oversight and Assurance are critical components of a robust sustainability system and of course therefore the Greenhouse Gas Reporting System they produce. While Oversight and Assurance Bodies may play a role across the development of a Greenhouse Gas Reporting System, one specific Element (5 – see below) is targeted directly at this group.

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.

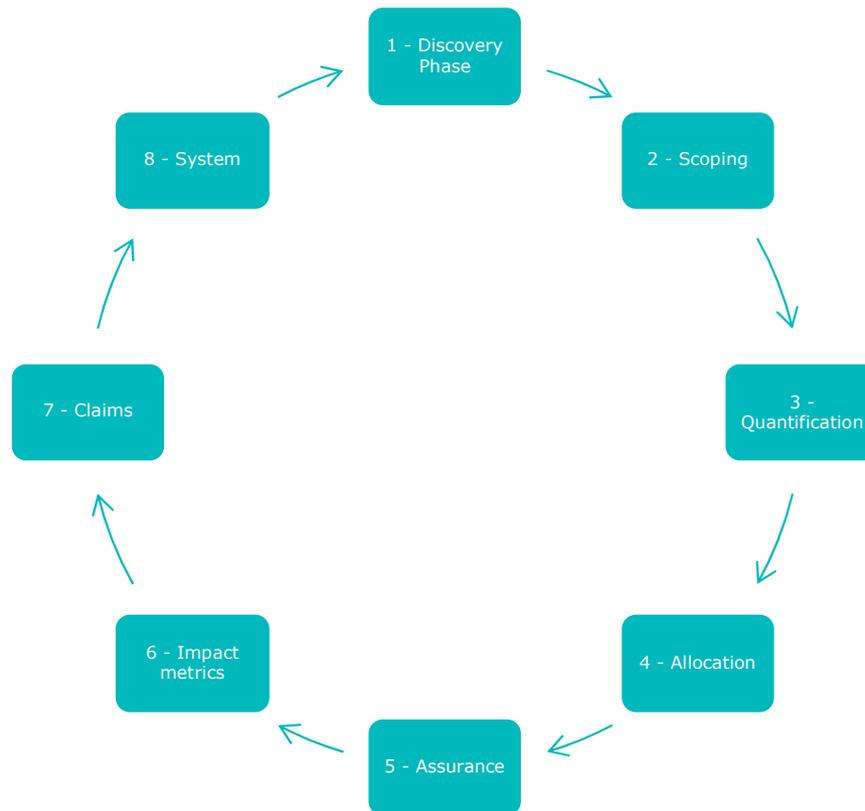
Companies may report either the specific emissions data for goods they purchase, where traceability exists, or an average emissions factor to the most granular level available (for example a regional or global factor). Though there is an emerging discourse on market-based allocation in the absence of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

The guidance envisages the creation of a Greenhouse Gas 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 Greenhouse Gas Reporting System, built of the eight elements) is detailed in **FIGURE 2**, below.

The role of Assurance and Oversight Bodies is as follows:

1. 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 how the scope of accreditation and the scope of expertise within assurance bodies can align with and deliver on the expectations of the Greenhouse Gas Reporting System.
2. To understand the choices made within the Greenhouse Gas Reporting System, especially around what is included and excluded from the scope of Assurance.
3. To build the scope of oversight and assurance to include the envisaged scope envisaged within the Greenhouse Gas Reporting System and to properly resource through internal and external expertise to deliver on it.
4. To proactively engage with the sustainability system community and wider assurance fora to raise questions, concerns and ideas towards the continuous improvement of the Greenhouse Gas Reporting System and of the Oversight and Assurance services.



- 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-RS 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-RS 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 Greenhouse Gas Reporting System development itself will have a major influence on the involvement of Oversight and Assurance Bodies. Depending on how far advanced the development is may mean increasing resource to meet demand, but assuming that the Greenhouse Gas Reporting System is entering its discovery phase (Element 1) then the following is recommended:

1. Express interest of involvement to the sustainability system and (in the case of assurance bodies) alert the oversight providers in case they are not yet aware. It is also worth, for both oversight and assurance providers, to brief senior management, if the initial plan to engage did not come from them.
2. Appoint an internal resource to coordinate efforts to engage with the Greenhouse Gas 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 of course helpful however and training courses are available.
3. Internal resource 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. Consider how, if needed, to supplement the existing team with any expertise needed. This will depend on the nature of the choices made by the sustainability system as they develop their Greenhouse Gas Reporting System and could range from relatively simple checks that a tool or procedure has been

followed to detailed assessments of input data and on-site measurement. Consider also how the organisations management will govern the delivery of services that involve the Greenhouse Gas Reporting System.

RESOURCES NEEDED

Aligning with the emerging Greenhouse Gas Reporting System of member schemes will likely require a range of resource. 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 resource including for:

- Appointing a lead resource and training them where necessary
- Participating in the discovery phase of the Greenhouse Gas Reporting System development and related events and opportunities
- Review of potential ways to govern and deliver on different Greenhouse Gas Reporting System approaches, particularly where they would involve on-site assessments
- Updates to quality management procedures, assessment criteria and document control
- Capacity building and training materials for, for example, for team members and roster of experts.

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 Protocol has also announced plans to release guidance for land-based emissions. This development should be monitored.
- ISO14065