

## The accounting and reporting of Scope 2 emissions, the GHG emissions associated with purchased electricity, heat, steam or cooling, has changed. Here's what you need to know

### Why have these changes been introduced?

Organisations have traditionally reported Scope 2 GHG emissions using a conversion factor specific to the average fuel mix of the grid. This method has failed to take into account the procurement decisions made by each organisation.

The new scope 2 accounting and reporting methodology is far more comprehensive and transparent. This will make it easier for organisations to set reduction targets, monitor progress over time, compare performance against other organisations and drive GHG emission reductions through procurement decisions.

### What has changed?



**Dual reporting** – Many organisations will now be required to report two figures for their scope 2 emissions, rather than one; a location-based figure and a market-based figure.

The location-based method reflects the average emissions intensity of the local grid. This is essentially how scope 2 emissions have been historically calculated and is specific to a region. The market-based method reflects the emissions from energy sources that the organisation has specifically chosen. This reflects the procurement choices that you make as a consumer and enables companies to reduce their GHG emissions through procurement decisions.



**Quality criteria** – Organisations will need to ensure that the product or supplier-specific data they use to report meets the new Scope 2 Quality Criteria



**Recommended disclosures** – Organisations need to identify all the areas of disclosure detailed in the new guidelines and identify what is appropriate for them.

### Who does this affect?

Any organisation that produces a GHG inventory using the GHG Protocol Corporate Standard is affected by these changes including companies, NGO's, local authorities and governments. In addition anyone reporting to CDP will need to ensure their approach is up to date ready for their 2016 submission.

### What do I need to do?

There are a number of ways this could impact your organisation. Carbon Smart has extensive expertise in helping organisations to report on their GHG emissions. Here are a few of the ways we can help you:

- **Data gathering** – does the market you operate in provide product or supplier-specific data? You'll also need to ensure it meets the Scope 2 Quality Criteria.
- **Baseline and target setting** – you'll need to clarify and disclose whether your base-year information and targets are based on the location or market-based method and whether adjustments are required.
- **Disclosure** – which of the recommended disclosures in the new guidelines are appropriate for your organisation?
- **Communication** – does the new methodology impact your reporting and disclosure? For example CDP will adapt its reporting system to reflect these changes in time for its 2016 reporting cycle.
- **Strategic support** – how will these new guidelines impact your organisation, particularly in terms of your strategy, your target setting and your energy procurement?

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