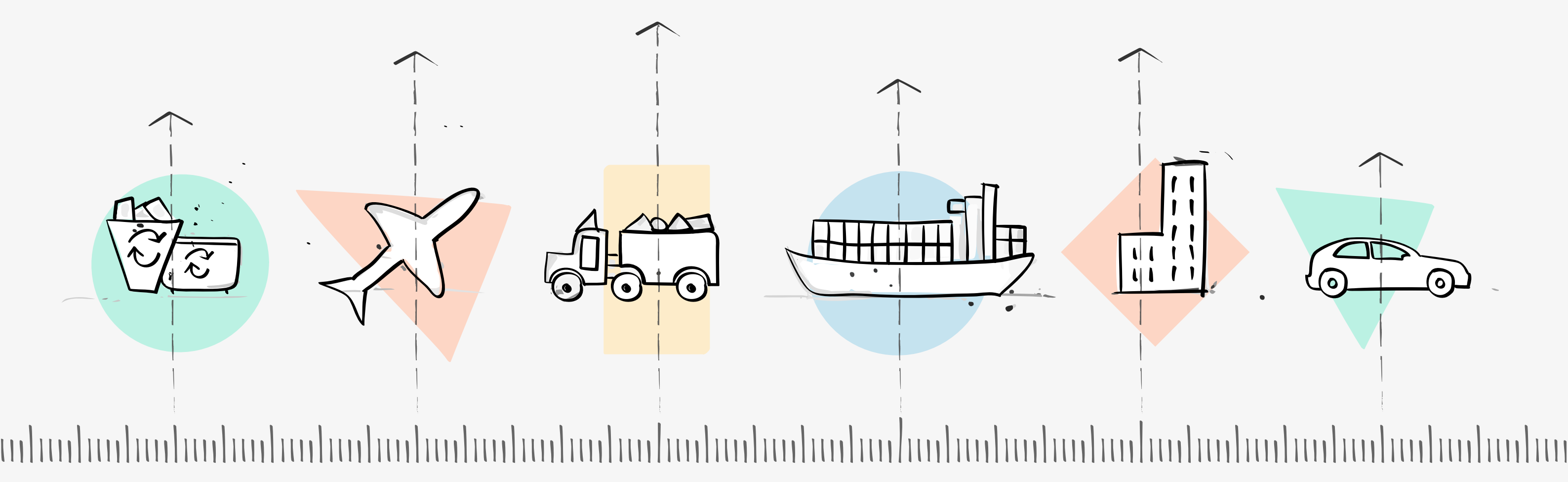
International carbon accounting standards:
It's time to fill the gaps

November 2024

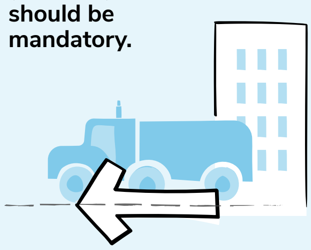
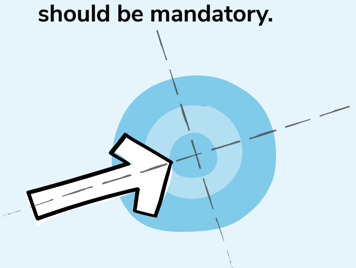


Companies wanting to measure and communicate their carbon footprint over time need tools to help them do so. Here's where international carbon accounting standards enter the picture. But there are many on the market – and each sets different rules for managing and reporting on greenhouse gas (GHG) emissions. How do they compare?

We assess two of the most widely used tools – both of which will soon be revised:

1. Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol)
2. ISO 14064-1:2018 Greenhouse gases (ISO 14064)

What are the differences? What are the gaps? How must these tools evolve to ensure accurate, environmentally effective, and transparent accounting of corporate emissions? Find out below.

Best practice for accurate and transparent carbon accounting	ISO 14064	GHG Protocol	Recommendations on how to revise these standards
Accounting of indirect (Scope 3) emissions should be mandatory. 	Accounting of substantial indirect emissions is mandatory, but companies can decide their own criteria for what they consider to be substantial, with no obligation for this to be verified.	Accounting of indirect emissions is optional. If included, the company can decide what it considers relevant.	Indirect (Scope 3) emissions often represent the largest source of emissions for a company. Both standards must mandate companies to include indirect emissions in their inventory[1] – and provide strict criteria for what needs to be included.
Absolute emissions targets should be mandatory. 	Setting targets for emissions reduction or removals is not mandatory. Companies can decide between an absolute target or an intensity target. The type must be disclosed.	Setting targets for emissions reduction or removals is not mandatory. Companies can decide between an absolute target or an intensity target. The type must be disclosed.	Absolute emissions targets are the only way to guarantee emissions reduction, so they must be made mandatory in both standards. Intensity targets can be used as a further option.

[1]A GHG inventory calculates the emissions of a company and its value chain

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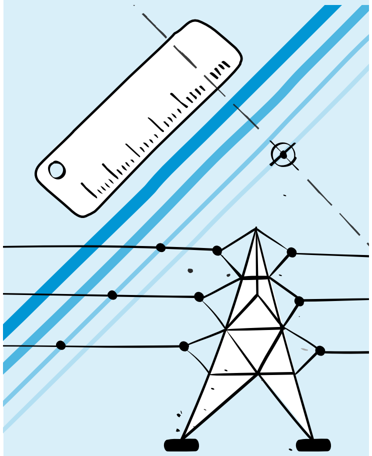
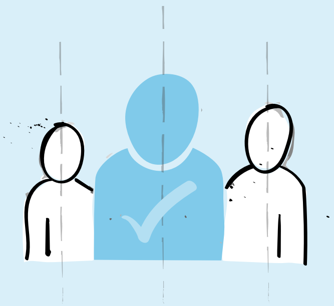
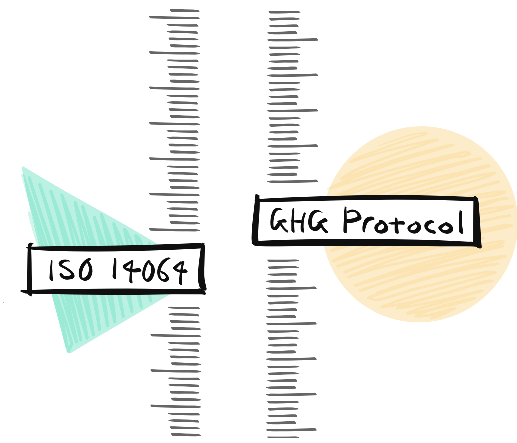
If a company decides to use a market-based approach alongside location-based, it needs to use long term PPAs (Power Purchase Agreements) and closely linking consumption and production geographically and temporally should be the only approach applied. 	Location-based accounting of electricity is required. In addition, companies have the option to report a market-based approach. However, it is neither restricted to long term PPAs nor closely linking production and consumption geographically and temporally. The quality criteria for energy certificates do not ensure additional renewable production, nor accuracy from temporal and geographical perspectives between the production and the consumption of electricity.	Companies must calculate and report according to both location-based and market-based methods. However, they are neither restricted to long term PPAs nor closely linking production and consumption geographically and temporally. When a company reports its final GHG inventory, one method can be selected if they combine Scopes 1 and 2. The quality criteria for energy certificates do not ensure additional renewable production, nor accuracy from temporal and geographical perspectives between the production and the consumption of electricity.	Both standards must revise their quality criteria on market-based accounting. Decarbonised electricity consumed should be additional and matched to actual production. This can be achieved through market-based accounting with strict quality criteria to ensure additionality where green electricity is claimed – like long-term PPAs. Other methods, such as Renewable Energy Certificates and Guarantees of Origin, are inadequate. Production and consumption must match from a geographical and temporal point of view to avoid encouraging overcapacity in some places or at certain times of the day/month. Only direct, local, transparent, and accurate purchases should be permitted.
GHG accounting should be third-party verified. 	Not mandatory for GHG accounting to be third-party verified.	Not mandatory for GHG accounting to be third-party verified.	Both standards must be revised to require third-party verification. This will ensure a GHG inventory that is accurate and representative.

Carbon offsetting: *Offsets should be reported separately from the GHG inventory and cannot be aggregated into a company's carbon footprint. This is already the case for both the GHG Protocol and ISO 14064 – and should remain so when they are revised.*



Carbon accounting standards underpin the climate transition plans of companies – but they are only as good as their methods. During the coming revisions of ISO 14064 and the GHG Protocol, following our recommendations will ensure these standards can truly help to mitigate the climate crisis.

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