This paper summarizes the EFRAG response to the GHG Protocol Scope 2 Public Consultation announced on 20 October 2025 and carried out until 31 January 2026. The response of EFRAG was conveyed via the on-line questionnaire of Greenhouse Gas Protocol. Therefore, this paper organises the comments articulated to GHG Protocol according to the structure and question numbers of the online survey. It shall be noted that EFRAG addressed only selected questions. The comments do not respond to the multiple-choice questions or scaling questions of the survey.

Issue Paper

EFRAG comments to GHG Protocol Scope 2 Public Consultation

[QUESTION 21 & 22]

General insights

Process & Governance:

EFRAG acknowledges the substantial work on the Scope 2 Guidance and welcomes the ambition of improving comparability and accuracy of Scope 2 measurement. At the same time, EFRAG is very concerned and opposes some of the proposed changes on which we comment in detail below. The consultation materials and consultation survey are long and at points complexified. We recommend that future consultations maintain clarity, simplicity, and overall ease of application at the heart of the standard.

EFRAG recommends that future consultations are **consistently carried out over a sufficiently long consultation period** (e.g. a minimum 120 days), in line with their increasing regulatory relevance.

In some instances the consultation requires 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 for alignment between GHG Protocol ('GHGP') standards. It is noted that key concepts vary across GHG Protocol documents (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 piloting the updated Scope 2 Standard and supporting guidance before full rollout (not foreseen currently in the Standard Development Plan). Stakeholders suggest a cost-benefit analysis for key changes, such as the requirement to use the most precise emission factor (EF) or hourly matching for contractual instruments. Stakeholders oppose these changes and voice concern that the revisions will increase cost and complexity without necessarily achieving a benefit in terms of reducing emissions or an increase in the accuracy of emissions reporting. Particular concern has been voiced on the negative impact the proposed changes may have on current practices supporting the maintenance and continuous deployment of renewable energy capacity in the EU market.

Principles & Subsidiarity:

As a general approach EFRAG Secretariat recommends that the **GHGP focuses on defining principles**, leaving technical definitions (e.g. grid boundaries, SMEs, 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.

[QUESTION 18]

Revised definitions of LBM and MBM

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

We would like to emphasise to the GHGP that tracing the **physical origin of electricity** is complex and often unfeasible. We therefore strongly advise the GHGP to reconsider this concept as an underlying basis for the revisions proposed in consideration of the GHGP's decision making criteria.

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

[QUESTION 27]

LBM | Concerns about mandatory EF hierarchy:

While recognising the goal, we are concerned that the **complexity** of this mandatory provision could undermine the key role of the **location-based method as an accessible entry point** for all reporters. EFRAG underlines the importance of keeping the rules behind the LBM as simple as possible and is therefore opposed to the mandatory emission factor hierarchy updates being proposed.

We also recommend that conducting a **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 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** for the preparers, which would allow more flexibility to jurisdictions when they integrate GHGP standards into their sustainability reporting rules, guaranteeing that the data infrastructure is ready before placing burdensome requirements on preparers. This is particularly relevant in the context of the current regulatory landscape, including the EU's simplification agenda.

[QUESTION 39]

Recommendations to improve the 'accessibility' definition:

We suggest considering closer alignment of the definition of 'accessible' with existing standards and regulations. We also caution with regards to the use of wording such as "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." as this carries a risk of misinterpretation.

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 predefined list.

We also underline the importance of jurisdictions/programmes providing EFs and EF datasets fulfilling quality criteria. EU stakeholders have expressed a desire for a consistent reference source for EU-wide emission factors that would constitute a common database based on different member states, recognising that achieving this would require coordinated action at EU level, building on existing European arrangements. We suggest the GHG Protocol, in partnership with relevant partners and statistical bodies (e.g., IEA, ISO, Eurostat, etc.), facilitate efforts to improve overall data accessibility, robustness, and reliability.

[QUESTION 75]

MBM | Hourly Matching (Quality Criteria 4):

In relation to the changes to enhance temporal correlation of energy supplied and consumed, we strongly oppose the proposed direction of requiring it across all markets, recommending that such change is introduced on a voluntary basis, as a practice that may be adopted by jurisdictions/programmes, thus putting the focus on **flexibility** and **transparency** on the use of such practice rather than mandating them by GHGP. Alternatively, the GHGP could define a Tier system for calculations under MBM, requiring transparency on which tier is used coupled with a principle of continuous improvement from lower tiers to

higher tiers. According to stakeholders EFRAG consulted, EU electricity tracking infrastructure would require considerable time (over a decade) to be able to accommodate for such changes, making its generalized implementation unfeasible across Europe.

Stakeholders voice significant concerns about market disruption, undue cost and effort, disincentivising investment in decarbonisation within the EU market and lack of infrastructure and market readiness to comply with the requirement. There is serious concern that this revision will be detrimental to the PPA market and have a strong detrimental impact on the transition to a low carbon economy in Europe, as it will result in decreased deployment of renewable projects. That in turn can compromise the ambition of EU Green Deal.

The requirement of hourly matching risks favouring dispatchable generation sources over intermittent sources, potentially undermining the **technology neutral nature** of the Standard and contradicting EU policy choices. Moreover, we suggest considering its utility and impact in the view of technological developments such as **energy storage** (e.g. battery) systems, as it may be trying to solve for a problem that may no longer be there in a relatively short period of time.

EFRAG suggests prioritising 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. A pilot or voluntary approach would also help to assess and demonstrate whether such proposed changes, including their potential costs and disruptions, will lead to overall, material improvements in emissions accounting and reporting.

[QUESTION 87]

MBM | Quality Criteria 5 – Deliverability:

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.

Linking the MBM to deliverability may result in confusion about the purpose of the 2 methods (LBM/MBM), negatively affecting the development of renewable resources and not providing incrementally decision-useful information. The MBM is an important metric for some entities, particularly those that set targets using the MBM and manage their scope 2 emissions through the use of contractual instruments. For these entities, the MBM is a way to demonstrate their broad efforts to reduce scope 2 emissions. The deliverability criteria as described might not allow achieving this objective.

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

It is recommended that the GHGP defines overarching, **guiding principles** for what constitutes 'deliverability' (for example based on the RE100 market boundary technical criteria). Specific technical definitions should be left to jurisdictions to better reflect regional specificities (such as the many interconnections in Europe).

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

[QUESTION 143]

Impacts on PPA stemming from hourly matching and deliverability:

Stakeholders raise concerns about the mismatch of the revisions with current financial reporting approaches.

To ensure conceptual **alignment** and **connectivity between sustainability and financial reporting**, it is strongly recommended that the proposed revisions align with recent **IFRS 9 / IFRS 7 amendments** related to Contracts Referencing Nature-dependent Electricity ('the amendments')**.** Specifically, the proposed hourly matching requirement may jeopardise the applicability of 'own use' exemption for PPA contracts, clarified by the amendments. This consideration is critical to preserve corporate income statement stability and prevent unintended financial volatility. Based on the feedback collected by EFRAG Financial Reporting Pillar during its work on the amendments issued by IASB one year ago, the introduction of hourly matching

would be considered to have significant impact on accounting for these contracts, and it can be expected that companies would not have entered into PPAs if such requirements were in place.

We also caution about the hourly matching and deliverability requirements' interaction with virtual **PPAs designated as hedging instruments**. Designation of a hedged item and a hedging instrument into a hedging relationship should remain consistent with company's risk management objectives and IFRS Accounting Standards.

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 emissions reporting. The sequencing, feasibility and interaction with financial accounting requirements are better addressed at jurisdictional level, considering local market structures and regulatory frameworks.

[QUESTION 112]

Guidance for Standard Supply Service:

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.

Similarities in EU Market: In EU contexts the treatment of Guarantees of Origin links to electricity supported by feed-in tariffs (typically a policy decision), with such attributes often retained or cancelled and excluded from voluntary markets. Likewise, companies have disclosure obligations and the company specific EF's can be used by preparers to calculate their Scope 2 figures, potentially originating instances of double counting. EFRAG Secretariat recommends that the GHG Protocol focuses on defining principles. SSS guidance should avoid prescribing outcomes that override jurisdiction-specific policy choices.

Scope and proportionality: EFRAG suggests reframing the guidance on Standard Supply Service to ensure proportionality, either by limiting it to contexts where such services are relevant and avoiding requirements that do not apply to competitive markets or certain assets and preparers, or by adopting principles and a more general formulation capable of accommodating different electricity market structures and support policies.

[QUESTION 123]

MBM |Updated definition of residual mix emission factors:

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 (as mentioned above).

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. We suggest the GHG Protocol, in partnership with relevant partners and statistical bodies (e.g., IEA, ISO, Eurostat, etc.) facilitate efforts to improve overall data accessibility, robustness, and reliability, including on residual mix data and methodology.

[QUESTION 128]

Fossil-based emission factors (MBM):

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.

[QUESTION 157]

Exemptions | Hourly matching exemption threshold:

EFRAG notes that exemption thresholds based on company size (employees, turnover, balance sheet) risk misalignment with jurisdictional rules and may create administrative burdens. Instead we recommend the GHGP provide appropriate guardrails, such that thresholds can 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.

[QUESTION 175]

Legacy clause considerations:

EFRAG recognises that legacy clauses are being considered to mitigate potential disruption arising from the proposed revisions. In that context, if such changes are brought forward, we support the introduction of legacy clauses.

However, such a need largely reflects the prescriptiveness of the proposals and their detrimental interaction with jurisdiction-specific market realities, potentially undermining positive impacts currently being delivered with current rules. 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 a principle of subsidiarity that the GHGP should consider adopting.