CONSULTATION RESPONSE

Response to GHG Protocol Consultation

Brussels,15th January

Questions

Section 3
Proposed revisions to definitions and purpose of the location-based method and market-based method

18. Please provide any feedback on the proposal to refine the definition of scope 2, to emphasize its role within an attributional value chain GHG inventory and clarify that scope 2 must only include emissions from electricity generation processes that are physically connected to the reporter's value chain, excluding any emissions from unrelated sources?

As an association of European energy traders, we welcome the opportunity to comment on the proposed revisions to the definition of Scope 2 emissions, and we appreciate the effort to increase the trustworthiness and transparency of emissions accounting. Our responses to questions related to trading aspects reflect the aggregated views of our membership and our association's core principles. As such, we are not in a position to answer detailed or company-specific questions within the consultation; we encourage our individual members to provide their own responses where appropriate.

The European power system is built on an interconnected, harmonised and highly integrated grid, where electrons cannot be traced to specific sources. In this context, attempting to define Scope 2 solely based on "physical connection" risks creating ambiguity and unintended consequences for cross-border procurement, especially given that electricity flows do not follow commercial schedules or contractual arrangements.

Moreover, cross-border capacity is allocated via implicit market coupling, where market participants cannot acquire physical capacity rights (except for a few specific borders),

The existing market-based framework, including Guarantees of Origin (GoOs) and other recognised attribute tracking systems, already provides a robust and transparent

mechanism for companies to reflect their contractual electricity procurement choices. A definition of Scope 2 should therefore remain fully compatible with market-based instruments and avoid language that could be interpreted as restricting recognised attribute certificates based on physical deliverability concepts.

We encourage the GHG Protocol to ensure that the refined definition remains technology-neutral, market-compatible, and aligned with the operational realities of interconnected power markets, rather than introducing concepts that could inadvertently undermine harmonisation of the European GoO market or restrict legitimate cross-border procurement.

19. Please provide any feedback on the proposed clarification to the LBM definition to reflect scope 2 emissions from generation physically delivered at the times and locations of consumption, with imports included in LBM emission factor calculations where applicable?

We support greater clarity in the Location-Based Method (LBM). However, we emphasise that the LBM must remain a statistical, grid-average metric and should not be presented as a representation of physical power delivery.

References to “generation physically delivered at the times and locations of consumption” risk being misinterpreted as implying physical traceability of electricity. This would not reflect how interconnected electricity systems operate, particularly in Europe, where electricity flows are governed by network physics rather than contractual arrangements.

We strongly believe that market-based reporting should be prioritised over location-based reporting. Corporate electricity procurement - including power purchase agreements (PPAs), contracts with specific suppliers, and the purchase of energy attribute certificates - is a key driver of renewable investment and additionality. Market-based claims provide the appropriate framework to reflect these investment signals and should therefore take precedence.

To safeguard credibility and limit the risk of double claiming, we encourage the GHG Protocol to provide clearer guidance that reinforces this priority. Under the current LBM approach, companies may report electricity consumption using a renewable grid mix even when the associated renewable generation has already been claimed through energy attribute certificates. As long as both methods hold equal status, the risk of double reporting remains structurally embedded in the system, undermining trust in green electricity reporting.

20.Please provide any feedback on the proposal to clarify the MBM definition to retain its existing basis, quantifying Scope 2 from contractually purchased electricity via contractual instruments, while specifying temporal correlation and deliverability when matching instruments to consumption?

We oppose using bidding-zone borders as a basis for restricting contractual instruments. Such an approach does not reflect the realities of the European power market or the operation of the interconnected European grid. These system characteristics, built on market coupling, cross-border integration, and harmonised system operation, mean that electricity is traded freely across Europe without regard to bidding-zone boundaries in any physical sense.

We therefore believe that these fundamental aspects of the European market design must be taken into account. Just as electricity can be traded freely in the integrated European power market, energy attribute certificates and contracts should likewise be tradable across borders without artificial constraints. Imposing bidding-zone deliverability criteria would introduce fragmentation, reduce liquidity, and contradict the principles on which Europe's internal electricity market is built.

The proposed exemption criteria for adjacent cross-border use of contractual instruments do not work in practice. For example, physical transmission rights are not allocated in the EU internal electricity market (except few specific borders), and even financial transmission rights are lacking in many borders (including the Nordic region). Cross-border capacity is allocated implicitly through market coupling, resulting in 96 quarter-hour prices for the next day.

We believe that the market-based approach has advantages over the location-based approach. As stated in our earlier consultations and position papers, while we support the voluntary development of more granular market-based products, this should be encouraged rather than mandated. If market participants and consumers see value in such products, a gradual shift towards higher granularity will happen naturally, without the need for obligation. Indeed, several initiatives for hourly matching already exist in Europe, including those led by Transmission System Operators.

If a decision is made to move towards mandatory granularity in the future, we would strongly advise a phased transition. This approach would minimise operational disruptions and allow markets, registries, and verification systems to adapt gradually. A step-by-step progression is therefore crucial to maintaining market stability, supporting liquidity, and ensuring a smooth transition for all participants.

22.Please provide any feedback on the proposed purposes of the market-based method.

We would like to express our scepticism regarding parallels between electricity markets and attribute markets. These markets have fundamentally different purposes and design principles.

- Power markets are structured around system stability, security of supply, and maximising social welfare.
- Attributes markets serve primarily to support corporate disclosure and renewable procurement claims.

As these developments will have a significant impact on the European Guarantees of Origin (GoO) market, as well as the PPA market, we would like to highlight that introducing obligatory deliverability or stringent temporality criteria risks undermining a market that has become largely harmonised across Europe.

- This segmentation would reduce liquidity, weaken price formation, and ultimately lead to market fragmentation, reversing years of progress towards a unified and efficient European GoO system. It would also introduce unnecessary complexity and competitive distortions, while reducing clarity for market participants. We therefore urge the GHG Protocol to carefully consider these impacts on harmonisation, liquidity, and market functioning when finalising the Scope 2 Guidance.
- Furthermore, there is a significant risk of negative influence on the wholesale market, and a dispatch price premium for specific periods of low RES availability could influence bidding behaviour, impacting price signals in the wholesale market.

While we support the overarching objectives of improving transparency and reducing double claiming in the attributes market, we oppose the introduction of “deliverability criteria” defined by bidding-zone boundaries. Such criteria overlook the reality of the interconnected European grid and risk creating artificial constraints that do not reflect physical system behaviour. Applying deliverability criteria based on bidding zones would:

- Fragment existing attribute markets,
- Disrupt cross-border market integration

Moreover, strict deliverability requirements could negatively affect the development of cross-border Power Purchase Agreements (PPAs). Cross-border PPAs are essential tools for unlocking renewable investment, facilitating risk sharing, and enabling the market-based integration of renewable energy sources across Europe.

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Section 4
Location-based method

23.On a scale of 1 - 5, do you support the update to the location-based emission factor hierarchy to identify the most precise location-based emission factor accessible according to spatial boundaries, temporal granularity, and emission factor type (consumption or production)?

2 - Little Support

26.Please provide your concerns or reasons for why you are not supporting, if any.

Concern that the most precise spatial boundary, “local boundary”, is too narrow
Concern that the proposed spatial boundaries do not reflect electricity deliverability in your region
Concern about increased administrative burden and complexity from identifying the most precise emission factors accessible

27.Please provide comments regarding your reasons for why you are not supporting (if any).

We support improvements to the location-based method (LBM) where they enhance clarity, consistency, and comparability. Updating the emission factor hierarchy to encourage more precise and transparent data is beneficial as long as it remains strictly within the statistical nature of LBM and does not introduce concepts resembling physical deliverability or constraints based on bidding-zone boundaries.

At the same time, we emphasise that LBM improvements must not detract from the importance of the market-based method (MBM)**.** As stated previously, we believe that market-based reporting should have priority, given the concerns about double-claiming green electricity that has already been contracted, using the LBM.

For these reasons, we support the general direction of the update, but with caution to ensure that it does not inadvertently blur boundaries between LBM and MBM or impose physical-delivery interpretations inconsistent with the operation of the European interconnected power system.

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Section 5
Market-Based Method

71.On a scale of 1-5 do you support an update to Quality Criteria 4 to require that all contractual instruments used in the market-based method be issued and redeemed for the same hour as the energy consumption to which the instrument is applied, except in certain cases of exemption.

1 – No support

74. Please provide concerns or reasons for why you are not supporting, if any.

More information is necessary to understand how investments not matched on an hourly basis will be accounted for and reported via the framework under development by the Actions & Market Instrument TWG
Hourly matching should follow an optional 'may' rather than a require 'shall' approach
Concern about negative impact on comparability, relevance and/or usefulness of MBM inventories
Concern that a phased implementation would be insufficient for development of the infrastructure necessary (e.g., registries, trading exchanges, etc.) to support hourly contractual instruments
Concern that administrative, data management, and audit challenges posed by this approach would place an undue burden and costs on reporters

75.Please provide comments regarding your concerns or reasons for why you are not supportive.

As stated previously, we have consistently supported the development of more granular market-based products, provided that this evolution is driven by voluntary demand from market participants. We note that several initiatives in Europe already offer hourly matching options for consumers, demonstrating that innovation is emerging organically where there is interest and value. We believe this market-led approach should continue.

While we acknowledge the decision of the GHG Protocol Board and Technical Working Groups to move toward more granular matching, we recommend that such a decision be approached with caution and grounded in the feedback provided through this consultation. Market participants must play a central role in determining the feasibility and timing of this shift.

Given the significant operational, infrastructural, and data-system challenges involved, we strongly recommend maintaining a voluntary adoption of hourly matching. The proposed requirement fails to reflect electricity system realities. Power flows through interconnected

grids, where physical tracing of electrons is impossible. Mandatory hourly matching of GoOs would also fragment the single European GoO market into thousands of sub-markets, eroding liquidity, increasing volatility, and driving up procurement costs, ultimately undermining the efficiency of EU integrated electricity market. Added complexity and cost could reduce corporate appetite for PPAs and slow investment in new renewable capacity, contrary to EU and global decarbonisation objectives. Furthermore, national registries and IT systems are not equipped to support hourly issuance, redemption, and verification of certificates, requiring significant infrastructure upgrades, new data pipelines, and assurance processes, imposing disproportionate burdens on market participants, especially SMEs.

Restricting eligibility to certificates that meet strict hourly and locational matching criteria would significantly weaken demand and distort price formation in the market. Under such a proposal, companies could claim carbon-free electricity only for the share of their consumption that complies with these matching rules; for example, if only 40% of a company's load can be aligned with eligible production, its demand for certificates would be capped at that level. If companies are unwilling to pay higher prices for hourly-matched renewable electricity, they may simply reduce their ambition from procuring fully renewable power to a more cost-effective share, rather than driving new investment.

This would substantially reduce overall certificate demand, creating a structural surplus relative to today's market and leading to persistently low prices, punctuated only by occasional and unpredictable scarcity-driven spikes. Such a price environment would undermine the ability of renewable project developers to rely on certificate revenues when assessing investment decisions, thereby weakening certificates as a stable and credible market signal.

A gradual approach, starting with annual matching and then moving to monthly, will support market stability, protect liquidity, and ensure that the transition strengthens rather than disrupts the functioning of both renewable procurement markets and electricity markets. However, granularity should only be increased once infrastructure and market readiness are demonstrated.

83. Update to Scope 2 Quality Criteria 5

On a scale of 1-5 do you support an update to scope 2 Quality Criteria 5, to require that all contractual instruments used in the market-based method be sourced from the same deliverable market boundary in which the reporting entity's electricity-consuming operations are located and to which the instrument is applied, or otherwise meet criteria deemed to demonstrate deliverability to the reporting entity's electricity-consuming operations?

1 – No Support

86.Please provide reasons of concern or why you are not supporting, if any. Select all that apply

Proposed deliverability requirements do not improve alignment with GHG Protocol Principles
Concern that narrower market boundaries restrict companies' abilities to invest in areas where renewable energy development could yield the greatest decarbonization impact
Concern that narrower market boundaries could prompt a shift away from long-term agreements (i.e., PPAs) to spot purchases (unbundled certificates)
Sourcing contractual instruments within deliverable market boundaries should follow an optional “may” rather than a required “shall” approach
Concern that the defined market boundaries do not align with mandatory or voluntary reporting requirements in your region

87.Please provide comments regarding your selected reasons for why you are not supporting.

We do not support updating Quality Criterion 5 to require that all contractual instruments be sourced from the same “deliverable market boundary” as the reporting entity. Such a requirement conflicts with the fundamental characteristics of the European power system, which is an integrated and highly interconnected market where electricity is freely traded across borders and physical deliverability cannot be meaningfully defined by bidding-zone boundaries.

While we understand and support the ambition to enhance the accuracy and credibility of green certificate systems, the proposed deliverability criteria overlook the fundamental physics of electricity flows and the virtual impossibility of tracing electrons in a highly interconnected grid. In the European synchronous system, electricity follows the path of least resistance, not contractual arrangements.

To illustrate the limitation of the proposed approach, even sourcing electricity or certificates from a renewable generator located immediately adjacent to a consumption site does not guarantee that any of the physical electrons consumed originate from that generator.

This highlights that “physical deliverability” cannot be meaningfully operationalised in an integrated grid and should not be used as a basis for restricting contractual instruments. Introducing a deliverability constraint would reduce liquidity and risk fragmentation of the European Guarantees of Origin (GoO) market- undoing decades of harmonisation and efficient market coupling.

It would also discourage cross-border PPAs and undermine market-based procurement, which remains an essential mechanism for financing renewable generation.

Beyond harming cross-border PPAs and the financing of new renewable projects, deliverability criteria would distort investment signals by artificially constraining market areas. When combined with surplus supply, this would suppress GoO prices and ultimately discourage investment in new renewable generation capacity.

We therefore propose that any deliverability criteria should respect this physical reality and fully take into account the unique nature of the European interconnected and highly integrated grid. In such a system, physical tracing of electricity is neither feasible nor meaningful, and policy frameworks should avoid creating artificial boundaries that contradict how the grid and markets actually operate.

90.For deliverable market boundaries (outside of the United States) identified in the table Proposed methodologies for demonstrating deliverability: Deliverable Market Boundaries, please provide comments on whether these market boundaries:

Deliverable boundaries should respect the European interconnected, harmonised and coupled electricity market.

Our proposal is also motivated by our assessment that each attempt to propose a spatial granularity between the level of bidding zone borders and Europe as a whole would be arbitrary and would fail to depict the reality of the European electricity market.

113.Updated definition of residual mix emission factors

On a scale of 1-5 do you support the updated definition of residual mix emission factors to reflect the GHG intensity of electricity, within the relevant market boundary and time interval, that is not claimed through contractual instruments, including voluntary purchases or Standard Supply Service allocations?
1 - No Support 2 - Little Support 3 - Neutral 4 - General Support 5 - Fully Support

5 Fully Support

114.Please provide reasons of support, if any.

Establishes a clear definition for residual mix emission factors
Improves the accuracy and relevance of market-based reporting
Protects the integrity of market-based accounting by avoiding double-counting of attributes within the MBM

Clarifies the market boundary, a residual mix emission factor should be calculated for
Improves comparability and transparency across organisations and regions
Helps incentivise voluntary sourcing of contractual instruments
Provides an option for reporters without access to an hourly residual mix emission factor

115.Please provide comments regarding your selected reasons for support.

We support efforts to improve the clarity and consistency of residual mix emission factors, as they are an essential component of transparent Scope 2 reporting. Ensuring that the residual mix reflects electricity not claimed through contractual instruments is a sound principle and helps maintain the integrity of the market-based method.

While this approach protects the integrity of the market-based accounting within the MBM, it still does not sufficiently mitigate the risk of double claiming. Within given boundaries, companies can still report their electricity consumption using a locational-based method and claim the renewable mix, even when the green certificates in that zone have already been purchased.

To alleviate this problem, we recommend that the GHG Protocol give a clear hierarchical advantage to market-based claims and restrict the locational-based method where GoOs have already retired.

124.Provide new requirement for use of fossil-based emission factors

On a scale of 1-5, do you support the requirement that for any portion of electricity consumption not covered by a valid contractual instrument and where no residual mix emission factor is available, a reporter shall apply a fossil-based emission factor?

4 - General Support.

125.Please provide reasons for support, if any.
Select all that apply

Helps improve the accuracy and scientific integrity of MBM by reducing the risk of double counting of carbon free electricity
Provides an option for reporters without access to a residual mix emission factor
Incentivises development and publication of residual mix emission factors by requiring use of a more conservative emission factor as a fallback option

126.Please provide comments regarding your selected reasons for support.

Energy Traders Europe supports this requirement. Applying a fossil-based emission factor when no valid contractual instrument or residual mix exists is an essential safeguard to prevent double-claiming and maintain the integrity of the Scope 2 framework. If

unclaimed consumption were allowed to default to low or average grid factors, it would risk assigning the same low-carbon attributes to multiple parties, undermining trust in both market-based and location-based methods.

Using a fossil-based factor ensures that any consumption not explicitly backed by recognised certificates is treated conservatively, eliminating the possibility of implicit, unverified green claims.

This approach enhances confidence in the system by clarifying that only properly issued and tracked contractual instruments, such as Guarantees of Origin and PPAs, can be used to claim renewable consumption. It promotes transparency, supports robust accounting, and sustains trust in the market-based method by ensuring that renewable attributes cannot be overstated or double claimed.

Section 7
Legacy clause considerations

171.On a scale of 1-5 do you support introduction of a Legacy Clause to exempt existing long-term contracts that comply with the current Scope 2 Quality Criteria from being required to meet updated Quality Criterion 4 (hourly matching) and Quality Criterion 5 (deliverability)?

5- Fully Support

172.Please provide your reasons for support, if any.
Select all that apply

Reflects a reasonable balance of integrity, impact and feasibility as existing long-term contracts reflect significant financial and operational commitments to energy resources
Encourages organizations with legacy contracts to continue to engage in voluntary procurement using an annual procurement approach
Provides a more equitable approach by ensuring that early adopters of Scope 2 Guidance are not disadvantaged
Helps maintain trust and market confidence in long-term contracts
Provides a pragmatic pathway for organizations to transition to updated Quality Criteria

173.Please provide any additional comments regarding your reasons for support.

Trust and regulatory stability are essential for a fully functioning market, particularly in the forward timeframe. Long-term contracts, such as Power Purchase Agreements (PPAs) with durations of 3 to 15 years, require both counterparties to take on significant risk and make substantial financial commitments. While contractual mechanisms can address certain risks (e.g., volume or shape), parties remain fully exposed to changes in external regulatory frameworks.

For this reason, contracts signed under the current Scope 2 Quality Criteria must be fully exempted for their entire duration from newly introduced requirements such as hourly matching or deliverability criteria. Any retroactive application would undermine market confidence, increase risk premiums, and jeopardise existing investment decisions.

We support „grandfathering“ of all forward contracts signed before the new criteria are put in place, giving enough time to conclude contracts currently being negotiated.

A robust legacy clause is therefore critical to maintaining trust, ensuring predictability, and safeguarding the functioning and liquidity of long-term renewable procurement markets.

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