



Gold Standard[®]

Climate Security & Sustainable Development

VALUE CHANGE PROGRAMME INTERIM REPORT

Version 0.1

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EXECUTIVE SUMMARY

Purpose of Document

This document is to summarise progress, challenges and recommended next steps concerning the content and use of the Gold Standard Value Chain Interventions Guidance and associated developments. It is intended to provide stakeholders to the process with an insight into next steps and confirm opportunities to further engage.

The documents relevant to this discussion to date are:

- Gold Standard Value Chain Interventions Guidance (current version [here](#))
- Gold Standard Soil Organic Carbon Guidance (current version [here](#))

It is envisaged that other workstreams that may lead to new documentation and updates to existing will be implemented as a result of these recommendations and further work.

Summary of recommendations and next steps

The document is organised into a series of recommendations for outputs reflecting various discussion topics, summarised below.

Table 1 – Summary of expected outputs

Workstream	Expected Outputs	Approx. timing
1 - Interim Value Chain Guidance update	Interim update of the Guidance to incorporate key changes to date	Mid-2020
2 - Final update and submission to GHG Protocol	Final update reflecting GHG Protocol updates on sequestration	TBC – 2021 (subject to GHG Protocol timing)
3 - Recognition for 'Going Beyond'	New workstream, integrating with SBTi/Net Zero efforts	Commencing 2020
4 – Supply shed	Interim addendum (see 1 and 2 above for timing of incorporation into Guidance)	Mid-2020
5 – Accounting	As above	-

6 – Double counting	New addendum to be developed	Available for comment Feb 2020
7 – Removals accounting	Key feedback/questions to date to be submitted for consideration in GHG Protocol working group	Commencing 2020
8 – Approach recognition	GS developing and testing process for recognition	Piloting Q4 2019
9 – Collective action and allocation	Further discussion required on infrastructure needed to support companies	Discuss Q4 2019
10 – Use of Product Sold	Further discussion required on guidance development to support, if needed	Discuss Q4 2019

Each of the above topics is described in more detail in the individual sections and annexes that follow.

For questions concerning the process and engagement please contact owen.hewlett@goldstandard.org

SUMMARY OF INPUTS TO DATE

The Value Chain Interventions Guidance was released in September 2018 for pilot testing. The Guidance represents a core output of a programme (Value Change) that set out to unlock accounting challenges and barriers to enable corporates to take action within their value chains. As such the Guidance development process is supported by a range of consultative inputs that continue to identify issues and opportunities for its improvements, as well as for further development. The following provides a summary of input to date:

Table 2 – Inputs summary

Input	Description	Summary
Public consultation – Value Chain Guidance	An open public consultation was held in 2018	Summary here
Public consultation – Soil Organic Carbon (SOC)	The supplementary guidance on SOC was also released for comment in 2018	Summary not published – further discussion points included in this document
Public events	A number of public events have been held (COP, Climate Week, I4C, Sustainable Brands, Ethcorp)	N/A – key questions captured separately
Bilateral/multilateral engagements	Further engagement with a number of stakeholders and partners have taken place, including with: <ul style="list-style-type: none"> • GHG Protocol • SBTi partners (WWF, WRI, CDP, UNGC) 	N/A – key questions captured separately
Corporate Working Groups	To date two corporate working groups (agriculture focused) have been conducted. These have included as follows:	Closed working groups - issues raised reflected in this report.
-	Webinar series – peer to peer learning and exchanges (4 per group)	Discussions transcribed and assessed

-	Face to face deep dive workshops (1 per group)	Discussions transcribed and assessed
-	Group surveys	Results summarized and assessed
-	Individual 'intake forms' summarizing key issues and challenges	Results summarized and assessed
Pilot certification	A pilot certification programme, initially involving 5 pilot projects is currently underway.	Lessons learned currently being updated following first pilot certification.

In addition to the above it is envisaged that the following activities will take place prior to the planned interim update in 2020:

- Completion of second corporate working group
- Completion of first pilot certification and commencement of other projects
- Convene third corporate working group (textiles/apparel)
- Participate in GHG Protocol working groups/discussions on removals
- Further engagement with SBTi partners concerning Net Zero definitions and requirements and role of voluntary carbon markets

Overall it is considered that the feedback gathered is both extensive and comprehensive. It informs the proposed recommendations in each of the following topic areas.

TOPIC 1 & 2 – INTERIM AND FINAL GUIDANCE UPDATES AND SUBMISSION TO GREENHOUSE GAS PROTOCOL

Overview: The two Guidance documents (Value Chain Interventions and SOC) will require updates to reflect feedback and lessons learned through testing. Due to the timing of the GHG Protocol work on sequestration and removals it is envisaged that this will first be in the form of an interim update (mid-2020) with a final update reflecting GHG Protocol position on completion (circa late 2021).

Key outputs expected: Update versions as follows:

- Value Chain Interventions Guidance:
 - Interim update – mid-2020
 - Final update and submission for Built on Greenhouse Gas Protocol status – late 2021
- SOC Guidance
 - Interim update (if applicable) – mid-2020
 - Final update – late 2021

Key issues included/addressed: The following will be incorporated into the updated guidance (in some cases discussed elsewhere in this document):

Table 3: Updates to Guidance

Document	Interim	Final
Value Chain Interventions		
Supply shed updated guidance (see Topic 4)	Complete	Complete
Accounting updated guidance (see Topic 5)	Complete	Complete
Double counting updated guidance (see Topic 6)	Complete	Complete
Removals accounting guidance (see Topic 7)	No	Complete
Worked examples to better illustrated Guidance	Interim	Complete
SOC Guidance		
Updates to reflect the above where required (except Topic 7)	Complete	Complete
Updates to reflect Removals accounting	No	Complete

Current position: N/A

TOPIC 3 – RECOGNITION FOR GOING BEYOND

Overview: In the course of taking actions with suppliers a corporate may undertake activities that are outside the company’s own boundary (as defined by the GHG Protocol). This could be because the activity undertaken is not part of the production of the targeted goods or services (for example domestic assistance for farmers or wider landscape restoration) or because the volume of goods impacted exceeds the amount reportable by the company.

Similar to the role of off-setting - it is not possible under either GHG Protocol or SBTi to report emissions removed or avoided from outside the company boundary. There may be other meaningful ways to allow for some recognition for these activities in wider claims however, as hinted at within the current guidance.

Key outputs expected: the outputs from this workstream are likely to be delivered under separate developments, such as SBTi’s work on Net Zero. Gold Standard will engage proactively to ensure guidance reflects latest good practice.

Key issues included and addressed: The following following activities are envisaged:

1. Clarify any boundary ‘grey areas’ for removals via the GHG Protocol process
2. Continue to engage in the ‘Net Zero dialogue’ with the SBTi partners to clarify:
 - a. Credible definitions of Net Zero and Carbon Neutral, as appropriate
 - b. Role of removals (in boundary and beyond) towards Net Zero targets
 - c. Role of beyond boundary Avoided Emissions in supplementary claims

Current position: The following position is reached based on the inputs described elsewhere in this document:

- The priority activities of companies should be to reduce internal emissions in line with science, for example through SBTi
- Companies should be encouraged to drive change beyond their boundaries and be recognized for these efforts in a credible way that does not undermine the above

- Emissions removed and avoided through company activities in and adjacent the supply chain are valuable towards this aim, as are voluntary carbon offset credits, provided they do not displace the ambition described in the first bullet.
- Credible claims to recognized companies who 'go beyond' should be developed as supplementary to SBTi efforts but should not be conflated with a 1.5 degree/Net Zero trajectory
- It is essential for companies that a common set of definitions is created and how they interact is made clear. This will help companies to make more accurate, credible and transparent claims and ensure loopholes and potential areas of contradiction and undermining are removed. This should be integrated with the Net Zero efforts, not separate to.
- Removals beyond the company boundary may have a role to play in Net Zero claims (i.e. claims that build on 1.5 degree SBTi towards a final balance of emissions and removals)
- Clear rules on allocation and double counting are required to support these efforts (see elsewhere in this document)

TOPIC 4 – SUPPLY SHED

Overview: One of the key issues faced by companies is the ability to a/ trace specific suppliers (particularly Tier 2 and above) and b/ to be unable to change supply having taken action due to the risk of losing the emissions benefit achieved. Accordingly, an addendum that further describes a 'supply-shed' approach has been developed. This describes the ability of a company to take action with a group of suppliers and assume that they are part of the company supply chain, even if this cannot be demonstrated.

Key outputs expected: An addendum (see Annex A) has been produced to provide further clarity to the Guidance. While this is available for immediate use it is also intended to be absorbed into the interim guidance update planned for mid-2020.

A further inclusion in the double counting addendum (see later in this document) will address concerns of allocation and double counting described in current position section, below.

Key issues included and addressed: The following are covered in the addendum:

- Potential definitions and guidance for supply-sheds, including a 'hierarchy' of quality
- Guidance on the correct application of same

Current position: The following position is reached based on the inputs described elsewhere in this document and is reflected in the annex prepared. This has been informed by extensive working group discussion. Of particular note:

- A supply-shed model is needed to overcome issues described above
- The Guidance should highlight higher quality approaches while allowing flexibility for a variety of circumstances
- Worked examples are needed to help users understand the approach
- The Guidance may require further updates as issues arise, particularly concerning the potential for double counting wherein if a company undertakes an intervention and reports using the supply shed model (i.e. knowing that the company is not actually purchasing the goods impacted) then it must mean that a third party is purchasing those physical goods. It is therefore critical for

integrity and fairness that the improved emissions factor is not reported by the third party as well as the intervention proponent. Further guidance will be needed on:

- How to avoid double counting (see double counting addendum)
- How to allocate fairly, accurately and robustly, including the potential for tracking instruments to support same
- How to ensure suppliers do not 'double sell' the benefit of the intervention

TOPIC 5 – ACCOUNTING

Overview: During the course of discussions with potential users it became clear that further guidance on the application of the accounting sections was needed. In particular, interventions that target specific processes but do not measure all others associated with a given Emissions Factor required further clarity. An addendum has been produced, see Annex B. This addendum focuses on emissions rather than removals, a further accounting section on removals will be required as GHG Protocol updates are made available (see also removals, later in this document).

Key outputs expected: The addendum is available for immediate user and will be incorporated fully into the Guidance in mid-2020.

Key issues included and addressed: The emissions accounting addendum includes further guidance on how to incorporate the improvements generated by an intervention into a pre-existing Emissions Factor.

Current position: The following position is reached based on the inputs described elsewhere in this document and is reflected in the annex prepared.

- The Guidance should reflect the circumstances of different companies and hence not prescribe specific levels of data quality (instead referring to the GHG Protocol).
- The Guidance must make provision for a variety of circumstances concerning how Emissions Factors are derived, catering for those who are using fully developed LCA to those who are using simple default factors.
- Recognising that in supply chains there may be a discrepancy between suppliers and buyers in terms of the above, the Guidance should allow flexibility to interpret the results of the intervention.
- The role of baseline is critical in supporting two key issues:
 - That the intervention has an impact and hasn't simply improved the data collected (resulting in a lower report but no real emissions improvement)

- Being able to incorporate the improvements generated into very simple default Emissions Factors that may not be granular enough to identify the specific process targeted
- A separate accounting section on removals is required.

TOPIC 6 – DOUBLE COUNTING

Overview: With the growth of Scope 3 projects and programmes and the introduction of supply-shed concepts comes a corresponding need to consider potential forms of double counting.

Double counting occurs where two organisations or entities count the same emissions benefit towards their respective targets. There are several forms that may be relevant to Scope 3 accounting, for example (amongst others):

- Two companies report the same unit of intervention-targeted goods/services towards their inventory – Double counting
- A company reports a lower emissions factor as a result of an intervention while also issuing a carbon credit for the same reduction – Double claiming

It is noted that double counting/claiming does not necessarily imply a problem, though in some cases it may result in claims that are not credible.

Key outputs expected: a further addendum will be produced, similar in style to the supply shed and accounting addenda.

Key issues included and addressed: The addenda will identify potential forms of double counting arising from supply chain efforts and propose whether they are a/ a negative issue and b/ how they should be resolved.

Current position: It is acknowledged that double counting may arise between different approaches, forms and levels of accounting and target setting. Some of these forms are benign (for example between one company's Scope 1 and another's Scope 3) while others may impact credibility (for example two companies reporting the same unit of commodity). It is therefore important to comprehensively map potential forms of double counting and assess the risks associated and any necessary mitigation.

Of particular interest are:

- The risk of double counting introduced by supply shed approaches, i.e. where two companies report the benefit of an intervention. This is a heightened risk

because two companies are potentially reporting the same goods purchased – one using the intervention benefits under the supply shed model and the other potentially purchasing the physical goods impacted.

- The overlap between emissions reported and the potential use of Avoided Emissions for off-setting from the same activity. To date the Guidance states that it companies should not issue carbon credits for reductions associated with goods and services they are reporting but can do so for any surplus in their interventions. This position should be maintained until considered in more detail.

TOPIC 7 – REMOVALS ACCOUNTING

Overview: The Guidance is intended to be sector and activity neutral, i.e. it should be applicable in any sector and activity related to the processes associated with purchased goods and services. Furthermore, it is intended to allow for both emissions and removals, though is mainly written through the lens of emissions.

Concurrent to the development Guidance the GHG Protocol have announced that there will be a review and comprehensive update to the removals reporting aspects of the Standards. As it is not possible to assume how this work will unfold the Guidance is so far unfinished with regards removals (stating only that they should be reported separately from emissions).

Key outputs expected: The Guidance and the SOC Guidance will be updated to include and reflect the revised GHG Protocol approach to reporting removals. Gold Standard intends to actively participate, support and closely monitor this work.

Key issues included and addressed: There are a number of fundamental questions that need to be addressed, including as follows:

- In what format should removals be reported – for example as part of the Emissions Factor (effectively netting off the removals), as a 'removals factor' i.e. removal intensity for a given unit in a given year or as units of removals overall
- Can companies buy removals as a service (i.e. in the Purchased Goods and Services category)
- How should permanence and post-equilibrium monitoring be dealt with?
- Should there be any pre-conditions in place before a company is allowed to report removals (for example could a company report only removals and not emissions, should a company account for land-use change before being allowed to report removals benefits etc)?
- Should there be any enhanced or more prescriptive data quality protocols for sequestration, given the complexity and room for manipulation?

Current position: In addition to the above questions it is noted that reporting of removals associated with Soil Organic Carbon should be included and allowed. The following key questions need to be addressed:

- What eligibility criteria should be in place before a company reports positive impacts of removals, for example historic land-use change impacts etc.
- Should removals be reported as units of removal or via an intensity model, similar to emissions factors.
- Should internal removals be treated differently to external removals, for example:
 - Internal removals benefits may pass through the supply chain in the same way as emissions.
 - Internal removals may count towards SBTi whereas external may only count towards Net Zero.
- How should variability be treated:
 - Weather effects may impact the level of benefit achieved, both positively and negatively. How should this be allocated amongst suppliers and proponents given it is an indirect effect?
 - How should we deal with high variability in a given period, for example through amortisation or 'smoothing' of results over a period
- How can we deal with the long-time lag before results are seen and able to be reported?
- How should impermanence and post-equilibrium monitoring be considered in inventory accounting?

TOPIC 8 – APPROACH RECOGNITION

Overview: The GHG Protocol does not prescribe or recommend specific quantification methods or approaches. Instead it provides data quality guidance and allows flexibility according to the needs and capacity of the reporting company.

For Scope 3 interventions companies may find themselves needing third party, credible assurance of the approach they are using for quantification. This reflects the potential risks associated with accusations of greenwashing. Hence a credible, civil society endorsement of quantification methods, either at the level of a specific project or more globally, could be beneficial.

Key outputs expected: Gold Standard is in the process of developing a formal recognition process for Scope 3 intervention quantification methodologies. This will allow Gold Standard to endorse/recognize an approach for use with the Guidance.

Key issues included and addressed: the process will take into account GHG Protocol and other quality requirements, including uncertainty, transparency, governance etc.

Current position: the value of a recognition approach will be explored through testing with a series of pilots. It is noted that this cannot/will not imply GHG Protocol recognition or endorsement.

TOPIC 9 – COLLECTIVE ACTION, ALLOCATION AND DATA

Overview: the inter-relatedness of supply chain action poses new issues of how collective action can be enabled, how benefits can be allocated between proponents and how emissions data can be passed through the value chain.

The Guidance does not prescribe how these issues should be considered, focusing instead on enabling accounting.

Expected outputs: it is unlikely, beyond basic guidance, that the Guidance document will focus on this issue. Instead, approaches to collective action, allocation and data tracking are expected to be left to companies to consider, in line with GHG Protocol requirements.

Hence the expected output for this issue is less straightforward to predict. An initial discussion amongst interested companies will be convened, alongside pilot programmes.

Key issues included and addressed: TBC

Current position: TBC

TOPIC 10 – USE OF PRODUCT SOLD

Overview: Avoided Emissions cannot be reported under the GHG Protocol. For companies that introduce an innovative new product this potentially means that they cannot claim any benefits for the impact of their product on their customers emission.

Expected outputs: A sub-group will more carefully review this issue and establish the precise problem to be resolved and propose potential solutions.

Key issues included and addressed: TBC

Current position: TBC

ANNEX A – SUPPLY SHED ADDENDUM

https://www.goldstandard.org/sites/default/files/documents/addendum_valuechain_supply_shed_v0.4.pdf

ANNEX B – ACCOUNTING ADDENDUM

https://www.goldstandard.org/sites/default/files/documents/addendum_valuechain_accounting_options_v0.3.pdf