<u>"CHEAT SHEET" ON ENVIRONMENTAL ATTRIBUTE CREDIT DEVELOPMENTS</u>

<u>What EXACTLY are we talking about</u> – Actually there are three separate but inter-related processes currently underway that directly impact and potentially threaten the continued use of environmental instrument credits (RECs/Offsets/Renewable Thermal Credits):

1) The SEC Proposed ESG Reporting Rule
    a. https://www.sec.gov/news/press-release/2022-92
    b. The Proposed Rule includes a significant number of references to the GHG Protocols as a basis for reporting.
2) The GHG Protocols' Land Sector and Removals Guidance Update
    a. https://ghgprotocol.org/land-sector-and-removals-guidance
    b. The released draft includes a "Biomethane Annex" that specifically and upon implementation disallows the use of purchased RNG credits in favor of system average emissions (though this would be subject to change depending on #3)
3) The GHG Protocols' review of reporting standards for Scopes 1, 2 and 3
    a. Scope 2 press release: https://ghgprotocol.org/blog/ghg-protocol-assess-need-additional-guidance-building-existing-corporate-standards
    b. Our understanding that the "harmonization" of the 3 Scopes would involve a consistent approach to market-based accounting
    c. Given the Biomethane Annex from #2 as well as the article published by the Concordia "researchers" dismissing the value of RECs, the fear is that WRI has predetermined the outcome to eliminate market based accounting for all Scopes.

There are also 3 "other" processes currently underway that have the potential to impact the use of and markets for RECs (and possibly the WRI's Scope 2 discussion as well):

4) Granular Certificates (also referred to as 24/7 or "emissionality")
    a. Google has been at the forefront of promoting matching gen to load, while other data companies (e.g. Meta, Microsoft) are more interested in the marginal emissions
    b. Biden's Executive Order requires 50% of federal procurement be 24/7 by 2030 https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/08/fact-sheet-president-biden-signs-executive-order-catalyzing-americas-clean-energy-economy-through-federal-sustainability/
5) CRS's Clean Energy Accounting Project – attempt to harmonize treatment of RECs procured for RPS compliance with voluntary corporate GHG reporting programs
6) RTO efforts to centralize procurement
    a. PJM's Clean Attribute Procurement Senior Task Force (CAPSTF) & OPSI's Competitive Policy Achievement Working Group (CPAWG) Market Design
    a. New England's Future Grid Initiative/ISO-NE's Forward Clean Energy Market

While redefining RECs to include more granular temporal data as well as marginal emissions rates and integrating compliance and voluntary markets for GHG reporting purposes are important and may become a "compromise position", ***we believe at this time the industry's primary focus needs to be on the first three processes/threats.***

<u>Who is involved</u> –

Securities & Exchange Commission (SEC)

- Just finished the comment period for a rule that would standardize ESG reporting for funds and investment advisors as well as the reporting that companies provide to their investors (it had been reopened due to a technical issue).
- One of the issues is how the use of RECs and offsets would be reported.
- The Chairman is Gary Gensler, who (coincidently?) used to be the head of the CFTC when that body looked to regulate RECs as swaps (which was fortunately defeated).
- Given the various legal challenges by various red states to ESG as well as the Supreme Court's recent use of the "Major Questions Doctrine" in ruling that the EPA overstepped its authority in promulgating the Clean Power Plan, I tend to believe this is the least of our worries.

World Resources Institute (WRI)

- One of the two organizations responsible for convening the Greenhouse Gas Protocols in 1998.
- Based in DC, seemingly (though not exclusively) focused on US
- Seemingly understaffed to accomplish its mission

World Business Council for Sustainable Development (WBCSD)

- The other convenor of the GHG Protocols
- Based in Geneva, they tend to focus more on the European and global markets

Greenhouse Gas Institute (https://ghginstitute.org/)

- Co-founded by Michael Gillenwater, who has a long history of opposing the use of environmental instruments as part of "market-based emissions reporting".
- Has been actively campaigning against the GHG Protocol Scope 2 Guidance since its release in 2014

Concordia University "Researchers" (Anders Bjorn, Shannon Lloyd)

- Hired by the GHG Protocols to "lead studies on current practices in corporate GHG inventory reporting" for all 3 Scopes
- Also the authors of the *Nature Climate Chang*e article attacking the use of RECs for Scope 2
- The paper draws heavily on Gillenwater's previous work by challenging the "additionality" of RECs and accuses corporates who utilize RECs as being guilty of greenwashing
- Might allow for RECs procured as part of a PPA to qualify

Timelines:

SEC Proposed Rule

The Proposed Rule was released on March 21, 2022. Comments on the rule were originally due on June 17st but due to a "technological error" the commenting window was reopened until November 1, 2022.SEC

As drafted, the Rule would require "large accredited filers" to file their Scope 1 & 2 emissions for 2023 by 2/2024 and for 2024 Scope 3 emissions by 2/2025 if the rule had been finalized and effective by December 2022. However, as they missed that deadline we expect reporting requirements to be pushed back at least one year.

Land Use and Removal Guidance

September 2022 - Draft for Pilot Testing and Review released

September 15, 2022 – January 15, 2023 - Pilot Testing Phase

September 28, 2022 – November 30, 2022 – Review Phase

Final Guidance expected in early 2023

GHG Protocols' Scopes 1, 2 & 3 Review

Currently the WRI/GHG Protocols is conducting four stakeholder surveys on the following topics:

1. Corporate Accounting and Reporting Standard
2. Scope 2 Guidance
3. Corporate Value Chain (Scope 3) Standard and Scope 3 Calculation Guidance
4. Market-based accounting approaches

Responses were originally due on February 28, 2023 but the deadline has been extended to March 14th**– I cannot stress how important it is that your organization register and respond to this survey, especially the Scope 2 Guidance.** While much of the survey is focused on the company's that report using the protocol, we need to make sure that the views of all stakeholders in this process are considered.

Also - Michael Macrae (WRI's point person for Scope 2) has been consistent in his messaging that this will be an ongoing process over the next several years, and that he is also looking for support showing how RECs are used to support project financing (i.e. are additional). We have been approaching a several universities to sponsor academic research into this subject; however we are also working with developers as well as PPA purchasers who resell the RECs in the spot market to participate in case studies showing the importance of this revenue stream in their project economics.