January 29, 2026

The Japanese Institute of Certified Public Accountants

Comments on Public Consultation – Scope 2

To the Greenhouse Gas Protocol Secretariat and Independent Standards Board

Question 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?

(Our comment)

The Japanese Institute of Certified Public Accountants ("JICPA", "we", "our" and "us") expresses its respect for the ongoing development efforts of the Greenhouse Gas ("GHG") Protocol and conveys its appreciation for the opportunity to provide comments on the Public Consultation of the Scope 2 Guidance revision (the "PC-S2"). We acknowledge the significance of this guidance on the GHG emissions measurement practices. Specifically, although it is not directly referenced in IFRS S2 *Climate-related Disclosures*, it introduces foundational concepts—namely the location-based method ("LBM") and the market-based method ("MBM")—and is widely referenced in major initiatives such as CDP and the Science Based Targets initiative (SBTi). Based on this understanding, we offer the following comments from the standpoint of Japanese entities and assurance practitioners.

1. Global Applicability:

We agree with the need to revisit the Scope 2 GHG accounting methodologies in light of developments in energy markets since the publication of the Scope 2 Guidance in 2014. However, given the expanding global reliance on the GHG Protocol, we are concerned that the current proposals could impede the timely adoption of the IFRS Sustainability Disclosure Standards or discourage participation in major initiatives. We therefore consider it essential that the standards ensure international applicability.

For example, implementing hourly matching under the MBM requires changes in data availability and certificate systems, the feasibility of which varies significantly across jurisdictions. Currently, only a limited number of advanced companies can apply such a method. Mandating high-resolution calculations for all preparers may impose an excessive burden, reduce the accuracy of reported data, and delay reporting processes, ultimately affecting the reliability and credibility of disclosure systems. Furthermore, as IFRS S2 and other frameworks allow jurisdiction-specific methods, the use of these jurisdiction-specific methods may expand, reducing international comparability.

2. Perspective on Specific Markets:

We consider that the GHG Protocol should avoid embedding assessments of specific jurisdictions or markets within the standard or guidance and instead focus on developing GHG measurement methodologies. For example, the PC-S2 includes assessments regarding “countries made up of multiple synchronous grids” for the LBM or “zonal pricing structure” for the MBM’s deliverability based on current circumstances. However, it is difficult to assess the conditions of all jurisdictions worldwide comprehensively and reliably and to update them in a timely manner as electricity systems and regulations evolve. The internationally applicable guidance should prioritize providing sufficiently detailed and operational criteria to enable preparers to identify and select appropriate emission factors based on the prevailing circumstances of electricity systems and markets at the time of reporting. If the GHG Protocol intends to support preparers in making such determinations, it should establish a transparent structure and process for doing so and deliver its view through mechanisms outside the standards or guidance, thereby ensuring timely updates.

3. Public Consultation Process:

We welcome the extension of the consultation period to 112 days. Given the broad implications of revisions to the GHG Protocol over time, we recommend setting a minimum consultation period of 120 days, particularly to accommodate translation in non-English-speaking regions. Additionally, the current format—accepting only structured responses to predefined questions—may lead to responses being unduly guided by the question structure, increasing the risk of overlooking deeper insights into fundamental concerns. Therefore, we suggest including an “other comments” section to capture diverse perspectives.

Question 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)?

(Our comment)

1 - No Support

Question 26
Please provide your concerns or reasons for why you are not supporting, if any (select all options that apply).

(Our comment)

c. Concern that the most precise temporal granularity “hourly“ is too detailed

d. Concern that the most precise spatial boundary, “local boundary”, is too narrow

e. Concern that the proposed spatial boundaries do not reflect electricity deliverability in your region

j. Other (please provide)

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

(Our comment)

We consider that the criteria for determining which spatial boundary hierarchy should be applied when selecting location-based emission factors are not sufficiently detailed in the PC-S2. For example, Japan is identified as a country with multiple synchronous grid systems, and the PC-S2 indicates that nationwide emission factors should not be used. However, the guidance does not explain the basis for this judgment—the underlying criteria are not presented—leaving the background and rationale unclear.

Regarding the current segmentation of Japan's electric power grid, all regional grids (except Okinawa) are physically interconnected via tie-lines, with actual interchange of electricity occurring between regions. From a market perspective, regional electricity markets also exhibit a certain degree of integration, as reflected in price dynamics across regions. Furthermore, the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) establishes wide-area blocks that extend across grid areas based on supply–demand balance and the available interconnection capacity at each hour. These blocks are not fixed but vary hour by hour. In addition, to increase the share of renewable energy in electricity generation, further strengthening of interconnection capacity is under active discussion, which would further enhance grid integration.

In light of this situation, we believe that feasible spatial boundaries in Japan are not limited to the operational boundaries of individual regional grids but could extend to boundaries spanning multiple grid systems—or even to the national level. However, based solely on the hierarchy structure proposed in the PC-S2, it is difficult to determine which emission factor should be applied in the location-based method, and different companies may reach different interpretations. It is therefore essential to clarify the criteria for prioritizing applicable options, particularly spatial boundaries, under specific circumstances.

We also note that, as stated in our Response to Question 18, we do not believe it is appropriate for the GHG Protocol to assess conditions in specific countries or markets within the standard or guidance. Instead, the GHG Protocol should adopt an approach in which it focuses on presenting sufficiently detailed criteria, while preparers select appropriate emission factors based on those criteria.

Question 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.

(Our comment)

1 - No Support

Question 74
Please provide concerns or reasons for why you are not supporting, if any (select all that apply).

(Our comment)

d. Concern about negative impact on comparability, relevance and/or usefulness of MBM inventories

e. 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

i. Other (please explain)

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

(Our comment)

With regard to hourly matching, we consider that there are practical challenges from both the activity data and certificate perspectives, whose magnitude will depend on the effective date of this new guidance.

From the activity data side, in Japan, electricity consumption data can currently be obtained in 30-minute increments, indicating that a basis for more granular matching is already in place. However, on the certificate side, Japan's non-fossil certificates ("NFC") are currently issued and managed on an annual basis. There is currently no regulatory mechanism that enables the issuance and retirement of certificates on an hourly basis (i.e., with timestamps), and implementing such a system would require regulatory amendments and the development of supporting market infrastructure. Achieving this would require consensus building among stakeholders and significant system investments, which in turn would require substantial time. We anticipate that other jurisdictions may face similar circumstances.

The current proposal introduces four exemption options for hourly matching, each based on criteria such as organizational scale or total electricity consumption. However, as we read them, large-scale consumers in markets that lack an hourly certificate system would still be required to perform hourly matching. We believe that, at a minimum, a defined transition period should be introduced, during which hourly matching may be implemented more flexibly.

Moreover, for companies operating globally, it is foreseeable that some subsidiaries are located in jurisdictions where obtaining electricity usage data on an hourly basis is impractical. As noted above, certificate systems and their readiness also vary greatly by region and market. Accordingly, we recognize the need to clarify the methodological approach to calculating Scope 2 emissions in a manner that ensures consistent application across the entire consolidated group.

Question 83
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?

(Our comment)

1 - No Support

Question 86
Please provide reasons of concern or why you are not supporting, if any (select all that apply).

(Our comment)

g. Support deliverability in principle, but the proposed market boundary for my region does not reflect deliverability

j. Other (please explain)

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

(Our comment)

In the proposed revisions to Scope 2 Quality Criterion 5, three methods are presented for demonstrating the deliverability of contractual instruments: (1) being located within the same market boundary; (2) providing evidence of excess transmission capacity based on price differentials between adjacent markets—particularly differences in hourly nodal or zonal locational marginal prices; and (3) providing evidence of physical delivery from the point of generation to the point of consumption. However, these methods appear to assume a highly developed and integrated electricity market structure, such as that of the EU, and may not be applicable in many other regions. We are concerned that applying these criteria globally could be problematic. The guidance should ensure applicability across a broad range of market designs worldwide.

Criterion for Determining Electricity Markets That Apply a Zonal Pricing Structure

The PC-S2 defines the same deliverable market boundary as “an electricity market that employs a zonal pricing structure,” and, for markets not explicitly listed, defines the applicable boundary as “the borders of the relevant country or territory, OR the borders of the wide-area synchronous grid where the reporting entity’s demand is located, whichever is smaller.” However, in countries such as Japan—where grids are physically interconnected and some degree of power interchange already exists, but where markets are not fully integrated due to limited interconnection capacity—it is difficult to clearly identify what constitutes a wide-area synchronous grid. Therefore, more detailed and explicit criteria are needed to guide such determinations.

Criterion for Assessing Excess Transmission Capacity via Price Differentials

The PC-S2 sets a price-difference threshold of 5% as an indicator of whether two adjacent markets have excess transmission capacity. However, even where price differences exceed 5%, significant electricity exchanges may still take place in practice, and part of that exchanged electricity may be renewable. We are concerned that simply exceeding a threshold regarding the price gap should not automatically disqualify the deliverability of renewable energy between markets. We would appreciate clarification on why a 5% threshold was selected and the rationale for considering it an appropriate universal criterion.

We note that several aspects of the deliverability proposal would be difficult to implement consistently across global electricity markets. As the GHG Protocol is widely used, it is essential that its requirements remain inclusive, clearly defined, and capable of reflecting the diversity of market arrangements. This likely requires collecting and analyzing information on various regional market structures and then developing detailed criteria to guide preparers' decisions in different contexts. In doing so, it would be prudent to avoid replacing the development of clear definitions and criteria with piecemeal assessments of individual markets.

Question 97
On a scale of 1-5 do you support the new guidance for Standard Supply Service (SSS) and requirement that a reporting entity shall not claim more than its pro-rata share of SSS.

(Our comment)

1 - No Support

Question 100
Please provide concerns or why you are not supporting, if any (select all that apply).

(Our comment)

c. Unclear how partial subsidies affect SSS classification

d. Unclear rules/definition of SSS

f. Other (please explain)

Question 101
Please provide comments regarding your selected reasons for why you are not supportive.

(Our comment)

To begin with, more detailed criteria are needed to determine whether a given scheme qualifies as an SSS. It would not be appropriate for the GHG Protocol to determine whether Japan's FIT certificates fall under the SSS category. In addition, because the basis for such a determination has not been presented, it is unclear how similar schemes should be assessed. Furthermore, the methodology for calculating Scope 2 GHG emissions involving SSS is not sufficiently clear—for example, whether non-fossil attributes obtained through additional financial contributions under a

scheme deemed to constitute an SSS may be claimed beyond a proportionate allocation.

Accordingly, the criteria for determining whether a scheme meets the SSS definition, as well as the associated calculation methods, should be articulated with greater detail and clarity.

Moreover, the standards and guidance should not provide assessments of specific jurisdictions or markets. Rather, the GHG Protocol should establish criteria that support preparers in exercising appropriate judgment, with the expectation that they apply those criteria to determine the relevant emission factors.