

## Request for Proposals: Scope 3 Flexibility Claim methodology improvement

### *Methodology improvement for VCMI's Scope 3 Flexibility Claim requirements, calculation and guardrails definitions*

#### Background

The Voluntary Carbon Markets Integrity Initiative (VCMI) is an international initiative working to enable high integrity voluntary carbon markets which contribute to the goals of the Paris Agreement – bringing benefits for people and the planet. VCMI has released the [Claims Code of Practice](#) (Claims Code) in June 2023, which guides companies on how to make credible use of voluntary carbon credits as part of their climate mitigation strategies through VCMI's enterprise-wide claims (Carbon Integrity Silver, Carbon Integrity Gold, and Carbon Integrity Platinum).

VCMI has released on November 28th additional guidance for its Claims Code of Practice (Claims Code), enabling companies to make claims about their use of high-quality carbon credits. This guidance includes a Monitoring, Reporting and Assurance (MRA) Framework, a brand and associated mark for making 'Carbon Integrity' Claims, and a beta version of a new claim.

Given that the MRA Framework and the 'Carbon Integrity' Claims branding have been developed, companies can now make Silver, Gold or Platinum Claims as outlined in the Claims Code of Practice released in June. This means that these companies can now make claims using high-quality carbon credits, directing finance to initiatives that mitigate climate change, and demonstrating that they are going above and beyond science-aligned emissions cuts.

As many companies experience difficulties in meeting their near-term scope 3 emission reduction targets<sup>1</sup>, VCMI has also launched the beta version of a new claim – the '**Scope 3 Flexibility Claim**' - as a practical step to accelerate corporate climate action. Once finalized this year, the Scope 3 Flexibility Claim will enable companies to take responsibility for their scope 3 emissions (those which are not directly produced by the company but for which it has indirect responsibility over through its value chain), while getting on the path to net zero through the use of high-quality carbon credits. Robust criteria and guardrails have been set to maintain integrity and avoid misuse of this new claim.

Companies seeking to make a Scope 3 Flexibility Claim must: Comply with the VCMI Foundational Criteria (VCMI Claims Code Step 1); Make progress towards meeting scopes 1 and 2 emission reduction targets (VCMI Claims Code Step 2); and use high-quality carbon credits to bridge the gap between their most recently reported scope 3 emissions and their target scope 3 emissions for the same year, based on the level of emissions on a trajectory consistent with the company's science-aligned target (VCMI Claims Code Step 3) - henceforth called scope 3 emissions gap. The sources of emissions included are those covered by the scope 3 target boundary and the company must observe the claim guardrails.

To enable the Scope 3 Flexibility Claim, two key calculations must happen:

1. Determining the scope 3 emissions gap to be bridged; and
2. Determining the maximum number of credits that can be used – the limit – by applying the guardrails.

The methodology proposed for these calculations was designed to be suitable for emissions and target setting data that companies are already using for their current climate-related disclosures and internal management. Defining the gap requires a company to know a trajectory for its scope 3 emissions that is compatible with meeting its next near-term emissions reduction target and long-term net zero commitment. This trajectory defines where the company's emissions should be set in any

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<sup>1</sup> Challenges include the decarbonization cost, engaging the supply chain, data limitations, organizational capacity, market timing, availability of renewable energy, lack of information around strategies to reduce scope 3 emissions, broader macro issues (e.g. Covid 19, regional conflict), inflexibility or lack of clarity on target setting and/or disclosure frameworks, lack of access to financing (e.g. lack of external incentives or funding) and governance limitations (e.g. lack of decision making structures) (TCB, 2024). "Corporate Engagement with Voluntary Carbon Market Claims: Findings and Recommendations".

given year and hence the gap that needs to be bridged, when compared to current emissions as reported in the GHG emissions inventory.

However, as companies are not required to disclose their expected emissions trajectory to meet their target, there is no widely accepted methodology for assessing the level of progress companies are making to meet their targets. Straight line trajectories are both arbitrary and may not reflect the reality of corporate activity, but are most commonly used, although some options exist. This lack of an agreed methodology makes it difficult to determine how to assess if the progress made by a company is sufficient and limits our ability to define the emissions gap.

The current Scope 3 Flexibility Claim methodology is based on expected scope 3 GHG emissions trajectory consistent with their science-aligned target, by adhering to the 1.5°C-aligned pathway adopted by the Science Based Target Initiative (SBTi). Credible alternative pathways developed by companies and derived from an equivalent, robust, emissions reduction trajectory can also be used in the calculations.

The second key calculation for this Claim is meant to determine the maximum number of credits that can be used. Scope 3 inventory emissions are the most up to date data companies have and have been taken as a proxy for the limit on the use of credits. The calculation is made by applying the following inequation:

$$\text{Emissions gap (t)} \leq \text{Scope 3 GHG inventory (t)} * 50\%;$$

One important guardrail that has been designed is that the flexibility companies have to use carbon credits for making a Scope 3 Flexibility Claim must decline over time (set as 50% of the company's scope 3 GHG emissions inventory by now, 25% by 2030 and 0% by 2035), leading to their complete phaseout no later than 10 years after the first claim is made, or by 2035, whichever is the earlier. At this point, there should be no further emissions gap to bridge and carbon credits should only be used to address remaining emissions once near-term targets have been met. The Scope 3 Flexibility Claim therefore presents a pathway for companies to achieve Carbon Integrity Silver, Gold and Platinum Claims under the VCMI Claims Code.

The objective of the work is to:

1. Determine if the progress being made by a company in the interim years towards meeting its science aligned target is sufficient, without recurring to an arbitrary linear trajectory in the calculation of the emissions gap to be bridged;
2. Establish acceptable emission reduction trajectories that do not rely on the arbitrary use of linear paths;
3. Define the emissions gap companies need to bridge to be making progress towards their near-term targets; and
4. Further refine the proposed criteria and guardrails.

Through this Request for Proposals (RfP), VCMI seeks to conduct a more detailed analysis on Scope 3 Flexibility Claim calculation, requirements and guardrails definitions, which will be reflected on its MRA Framework.

## Scope of work

The consultant/consultancy will be responsible for the following tasks:

- 1) Assessment of existing methodologies to calculate expected emissions yearly based on companies' science aligned targets, which can be applied to assess whether they are making enough progress towards its emission reduction targets on scope 3.** The analysis should be based on companies' feedback (gathered through Scope of Work 4 as detailed below) and existing organisations' research related to this assessment. The consultancy shall research and provide an analysis that includes:
  - a. Minimum thresholds for greenhouse gas (GHG) emissions reduction such as the [SBTi's minimum annual linear reduction rate](#), which is above 4.2% for scope 1 and scope 2 and 2.5% above for scope 3.
  - b. Rationale to select base year or the "year when a target is set" when defining when the emissions reduction trajectory should begin.
  - c. Feedback from companies and other stakeholders on the Beta version of the Scope 3 Flexibility Claim (Scope of Work 4).
  
- 2) Proposing a methodology for the emissions gap calculation,** defined as the difference between the most recent reported emissions, in accordance with the near-term target boundary and as disclosed in a company's GHG emissions inventory, and the trajectory emissions level projected for that same year and determined by the methodology as assessed in this scope of work. The methodology should consider different emission reduction target setting options (i.e. absolute and intensity based) and mixed targets that include supplier or customer engagement targets. The consultancy shall consider companies' data already used for their own carbon accountability and deliver the following output:
  - a. a methodology that enables companies to calculate their emissions gap for its scope 3 emissions reduction target each year, without recurring to an arbitrary linear trajectory.
  
- 3) Proposing a methodology to establish the maximum number of credits to be used and a rationale for the phaseout period** for the Scope 3 Flexibility Claim, considering climate emergency and mitigation hierarchy. Further analysis will serve as a reference to refine the proposed criteria and guardrails. The consultancy shall research and analyse the feedback received from companies, standard setters (including CDP, SBTi and GHGP) and NGOs, and deliver the following outputs:
  - a. Improve the methodology for the maximum number of carbon credits to be used to meet the requirements of the Scope 3 Flexibility Claim, currently set as 50% of scope 3 emissions in the claim year; and
  - b. Revise the methodology to gradually reduce the maximum number of credits that can be used once the first claim has been made until 2035, when the Scope 3 Flexibility Claim will no longer be available, based on an analysis (possibly sectoral) of the main challenges companies face to meet scope 3 emission reduction targets, what measures should be implemented to overcome such barriers, how much it would cost for it and how long it would take to be implemented.
  - c. Scenario analysis for companies' adoption of the Scope 3 Flexibility Claim, until the end of the phaseout period, against IPCC 1.5C-aligned trajectories. The scenarios may use real data from a representative subgroup of companies (20+). Analysis should consider different assumptions for the maximum number of credits to be used, number of companies adopting the claim, and uncertainties on GHG emissions reductions/removals from carbon projects.

- d. Investigate and map the structural challenges faced by companies on achieving their scope 3 emission reduction targets.
- e. Suggest any necessary new criteria and guidelines to ensure methodological consistency and/or to guarantee more ambition resulting from the wider adoption of the Scope 3 Flexibility Claim.

The methodology design also needs to consider, within the phaseout period, the possibility that companies switch from near-term emission reduction targets (5-10 years) to long-term targets (to be met by 2050) prior to 2035. . This would lead the minimum boundary for scope 3 emissions to expand from 67% to 90%.

**4) Support engagement (providing content and material preparation) and attain information, related to the Scope of Work within this RfP, from meetings and workshops conducted with different stakeholders, including standard setters (e.g. CDP, SBTi and GHGP), NGOs and companies, to co-create a Scope 3 Flexibility Claim methodology and test its feasibility.**

- a. Expected number of meetings (1h): 10
- b. Expected number of workshops (2h): 2

## **Proposal requirements**

Proposals should include:

- A clear indication of how the topics in the proposal are intended to be addressed.
- Qualification and experience of the consultancy and consultants assigned to the project.
- Detailed budget, including all costs associated with the work.
- Detailed timeline for the project.

## **Deliverables**

- The consultants/consultancy shall deliver a first detailed report with proposed methodologies for the Scope 3 Flexibility Claim (Scope of Work 2 and 3), including requirements, emissions gap calculation and the limit phaseout, and the analysis of the feedback received from the engagement process and working groups as well as from the research that substantiated the proposed methodologies (Scope of Work 1 and 4). The content should be presented in a single consolidated Word document and should cover the scope of work described above.
- The consultants/consultancy shall synthesize recommendations into a workshop slide deck, incorporating the feedback received after the first workshop on the first detailed draft report. Materials shall contain the recommendations and methodologies used, along with their respective risks and assumptions made. The slide deck will be distributed to the VCMi Technical team one week prior to the workshop to be held with the VCMi Technical team and Expert Advisory Group members.
- The consultants/consultancy shall deliver a second detailed report as update of the first one, including the analysis of the feedback received from road testers and the updated proposed methodology for the Scope 3 Flexibility Claim, with the requirements, emissions gap calculation and phaseout for different scenarios. The content should be presented in a single consolidated Word document and should cover the scope of work described above.
- The consultants/consultancy shall synthesize recommendations into a workshop slide deck, incorporating in the report the feedback received after the final workshop. Materials shall

contain the final recommendations and methodologies used, along with their respective risks and assumptions made. The slide deck will be distributed to the VCMI Technical team one week prior to the workshop to be held with the VCMI Technical team and Expert Advisory Group members.

### Proposed timeline

Item	Due Date (2024)
Proposals submitted to VCMI	March 18 <sup>th</sup>
Project kick-off call	March 25 <sup>th</sup>
Submit first draft of first report with proposed methodology for the Scope 3 Flexibility Claim	April 26 <sup>th</sup>
Workshop with the VCMI Technical team and the Expert Advisory Group members based on the first draft	May 3 <sup>rd</sup>
Submit first draft of second report including Road-test feedback and proposed methodology for final version of Scope 3 Flexibility Claim.	June 24 <sup>th</sup>
Workshop with the VCMI Technical team and Expert Advisory Group members based on the second draft	July 1 <sup>st</sup>
Final deliverables submitted to VCMI with a reviewed methodology for Scope 3 Flexibility Claim	July 8 <sup>th</sup>

\*VCMI may request for meetings without prior notice to address urgent questions or issues related to the consultancy's work.

Applicants must submit a proposal including the proposal requirements mentioned above to [info@vcmintegrity.org](mailto:info@vcmintegrity.org) by 5 pm ET on Monday, 18<sup>th</sup> of March 2024. Please use the subject line: **'Scope 3 Flexibility Claim methodology improvement proposal.'** We only accept electronic submissions.

### References

- SBTi CORPORATE MANUAL
- [CDP Corporate Environmental Action Tracker](#)
- [SBTi's Measurement, Reporting & Verification \(MRV\) landscape analysis research paper](#)