
Transition Implementation Group on IFRS S1 and IFRS S2

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Topic **Use of GWP values from the latest IPCC assessment when a jurisdictional authority mandates the use of a different GWP value**

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This paper has been prepared for discussion at a public meeting of the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

Introduction

1. We have received a submission about the application of the requirements in IFRS S2 *Climate-related Disclosures* related to the conversion of greenhouse gas (GHG) emissions into carbon dioxide (CO₂) equivalent values using global warming potential (GWP) values from the latest Intergovernmental Panel on Climate Change (IPCC) assessment, specifically in a circumstance in which a jurisdictional authority mandates the use of a different GWP value.
2. The objective of this paper is to provide background and analysis to support discussion by the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG).
3. The TIG provides a public forum for the discussion of implementation questions related to the IFRS Sustainability Disclosure Standards and to provide information for the ISSB to determine what, if any, action will be needed to address those questions.
4. This paper:
 - (a) sets out the relevant requirements in IFRS S2;
 - (b) summarises the implementation question raised in the submission;

- (c) outlines the staff's analysis and view related to the implementation questions; and
- (d) asks the members of the TIG for their views on the questions identified.

Relevant requirements

5. The following paragraphs set out the main requirements in IFRS S2 and the Basis for Conclusions on IFRS S2 related to the implementation question.

Requirements relevant to measurement and disclosure of GHG emissions

6. Paragraph 29(a) of IFRS S2 sets out requirements related to disclosing GHG emissions information:
- 29 An entity shall disclose information relevant to the cross-industry metric categories of:
- (a) greenhouse gases—the entity shall:
 - (i) disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent (see paragraphs B19–B22), classified as:
 - (1) Scope 1 greenhouse gas emissions;
 - (2) Scope 2 greenhouse gas emissions; and
 - (3) Scope 3 greenhouse gas emissions;
 - (ii) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a

- different method for measuring its greenhouse gas emissions (see paragraphs B23–B25);
- (iii) disclose the approach it uses to measure its greenhouse gas emissions (see paragraphs B26–B29) including:
- (1) the measurement approach, inputs and assumptions the entity uses to measure its greenhouse gas emissions;
 - (2) the reason why the entity has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and
 - (3) any changes the entity made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; ...

Requirements relevant to the use of the ‘jurisdictional relief’

7. If an entity is required by a jurisdictional authority or exchange on which it is listed to use a method for measuring its GHG emissions that is different from the GHG Protocol Corporate Standard, paragraph B24 of IFRS S2 permits the entity to use that method (referred to in this paper as the ‘jurisdictional relief’).

B24 An entity is required to use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless the entity is required by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its greenhouse gas emissions. If the entity is required by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its greenhouse gas emissions, the entity is permitted to use this method rather than using the Greenhouse Gas Protocol: A Corporate

Accounting and Reporting Standard (2004) for as long as the jurisdictional or exchange requirement applies to the entity.

8. Paragraph B25 of IFRS S2 explains how the jurisdictional relief applies—or does not apply—in particular circumstances:

B25 In some circumstances, an entity might be subject to a requirement in the jurisdiction in which it operates to disclose its greenhouse gas emissions for a specific part of the entity or for some of its greenhouse gas emissions (for example, only for Scope 1 and Scope 2 greenhouse gas emissions). In such circumstances, the jurisdictional requirement does not exempt the entity from applying the requirements in this Standard to disclose the entity's Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for the entity as a whole.

9. Paragraph B41 of IFRS S2 requires an entity to use the Scope 3 measurement framework even when a jurisdictional authority or an exchange on which the entity is listed requires the entity to measure its GHG emissions using a method that is different from the GHG Protocol Corporate Standard:

B41 An entity is required to apply the Scope 3 measurement framework to prioritise inputs and assumptions even when the entity is required by a jurisdictional authority or an exchange on which the entity is listed to use a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) for measuring its greenhouse gas emissions (see paragraphs B24–B25), or whether the entity uses the transition relief described in paragraph C4(a).

Requirements relevant to the use of GWP values

10. Paragraph B20 of IFRS S2 requires that an entity convert the seven constituent greenhouse gases (GHGs) into CO₂ equivalent values:

B20 Paragraph 29(a) requires an entity to disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent. To meet this requirement, the entity shall aggregate the seven constituent greenhouse gases into CO₂ equivalent values.

11. If an entity uses direct measurement to measure GHG emissions, paragraph B21 of IFRS S2 requires that the entity use GWP values based on a 100-year time horizon, from the latest IPCC assessment available at the reporting date (referred to in this paper as ‘GWP values from the latest IPCC assessment’) to convert an entity’s GHG emissions into CO₂ equivalent values:

B21 If an entity uses direct measurement to measure its greenhouse gas emissions, the entity is required to convert the seven constituent greenhouse gases into a CO₂ equivalent value using global warming potential values based on a 100-year time horizon, from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date.

12. If an entity uses emissions factors to estimate its GHG emissions, paragraph B22 of IFRS S2 requires that the entity use emissions factors that best represent the entity’s activity, and explains the requirements to use the GWP values from the latest IPCC assessment in such circumstances:

B22 If an entity uses emission factors to estimate its greenhouse gas emissions, the entity shall use—as its basis for measuring its greenhouse gas emissions—the emission factors that best represent the entity’s activity (see paragraph B29). If these emission factors have already converted the constituent gases into CO₂ equivalent values, the entity is not required to recalculate the emission factors using global warming potential values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting

date. However, if an entity uses emission factors that are not converted into CO₂ equivalent values, then the entity shall use the global warming potential values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date.

13. The Basis for Conclusions accompany but are not part of IFRS Sustainability Disclosure Standards. The Basis for Conclusions summarise the considerations of the ISSB in developing Standards and thus provide useful context to understand the requirements in Standards, but do not in themselves establish requirements.
14. Paragraph BC93 of the Basis for Conclusions on IFRS S2 explains the ISSB's decisions regarding the use of emissions factors that best represent an entity's activities, and a circumstance in which an entity might use emission factors that have already been converted into CO₂ equivalent values using different GWP values that might not align with the GWP values from the latest IPCC assessment:

BC93 Although the ISSB requires an entity to use the latest updated GWP values to convert greenhouse gases into CO₂e, the ISSB also recognises that in some cases the GWP values used by an entity might differ depending on the jurisdictions in which the entity operates and the sources of data the entity uses to measure its greenhouse gas emissions. For example, emission factors—used by an entity to convert activity data into greenhouse gas emissions information—often already have the information converted into CO₂e using GWP values that might or might not align with the most recently updated GWP values from the IPCC. If an entity has identified the emission factors that best represent the entity's activities, and these are only available in CO₂e and not based on the most recent GWP values, then the entity is required to use those emission factors. Additionally, an entity is required to disclose information that enables users of general purpose financial reports to understand the measurement

approach, inputs and assumptions the entity has used to measure its greenhouse gas emissions and why these measurement approaches, inputs and assumptions are relevant to its greenhouse gas emissions (see paragraph BC95). As part of this disclosure requirement, an entity is required to explain which GWP values it uses and, if necessary, why it has not used the updated GWP values from the latest IPCC report.

Implementation question received

15. This paper addresses a submission about the requirement to convert GHG emissions into CO₂ equivalent values using GWP values from the latest IPCC assessment. Specifically, the submission questioned whether the jurisdictional relief can be applied to relieve an entity from the requirement to use GWP values from the latest IPCC assessment, if an entity is required by a jurisdictional authority to use different GWP values.

Staff analysis

16. This section explains the staff analysis, in which the staff consider the requirements related to:
 - (a) the use of GWP values from the latest IPCC assessment and the jurisdictional relief; and
 - (b) measuring GHG emissions and the circumstances in which GWP values can be used that are not from the latest IPCC assessment.

The use of GWP values from the latest IPCC assessment and the jurisdictional relief

17. IFRS S2 requires entities to measure GHG emissions in accordance with the GHG Protocol Corporate Standard—unless the jurisdictional relief has been applied. The

jurisdictional relief is provided in relation to the *method for measuring* GHG emissions; it is a relief that permits an entity to use the GHG Protocol Corporate Standard or another method to measure GHG emissions.

18. IFRS S2 also sets out specific additional requirements related to measuring GHG emissions. For example, IFRS S2 sets out requirements related to the use of the Scope 3 measurement framework and the use of specific GWP values. Therefore, an entity measures its GHG emissions in accordance with the GHG Protocol Corporate Standard or another method if the jurisdictional relief is applied **and** applies requirements set out in IFRS S2 related to GHG emissions.
19. In some cases, the interaction between the jurisdictional relief and the requirements set out in IFRS S2 related to measuring (and disclosing) GHG emissions is explained. For example:
 - (a) paragraph B25 of IFRS S2 describes a circumstance in which an entity is subject to a jurisdictional requirement to disclose its GHG emissions for only a specific part of the entity. In such circumstances, the jurisdictional relief does not exempt the entity from applying the requirement in IFRS S2 to disclose GHG emissions for the entity as a whole.
 - (b) paragraph B25 of IFRS S2 also describes a circumstance in which an entity is subject to a jurisdictional requirement to disclose its GHG emissions for only some of its GHG emissions (for example, only for Scope 1 and Scope 2 GHG emissions). In such circumstances, the jurisdictional relief does not exempt the entity from applying the requirements in IFRS S2 to disclose the entity's Scope 1, Scope 2 and Scope 3 GHG emissions.
 - (c) paragraph B33 of IFRS S2 requires that an entity disclose the categories included within its measure of Scope 3 GHG emissions, regardless of whether the GHG Protocol Corporate Standard or another method (that is, in applying the jurisdictional relief) is used to measure GHG emissions.

- (d) paragraph B41 of IFRS S2 requires an entity to apply the Scope 3 measurement framework to prioritise inputs and assumptions to measure Scope 3 GHG emissions, even when the jurisdictional relief is applied.
20. These examples explain the interaction between the jurisdictional relief and other requirements set out in IFRS S2. In each of these examples, the jurisdictional relief applies only to the use of the GHG Protocol Corporate Standard as a *measurement method* and does not otherwise change the requirements set out in IFRS S2 in relation to the measurement (or disclosure) of GHG emissions.
21. The staff note that there are no stated exemptions from the requirements in IFRS S2 to use GWP values from the latest IPCC assessment.

The requirements relating to measuring GHG emissions and the circumstances in which a GWP value can be used that is not from the latest IPCC assessment

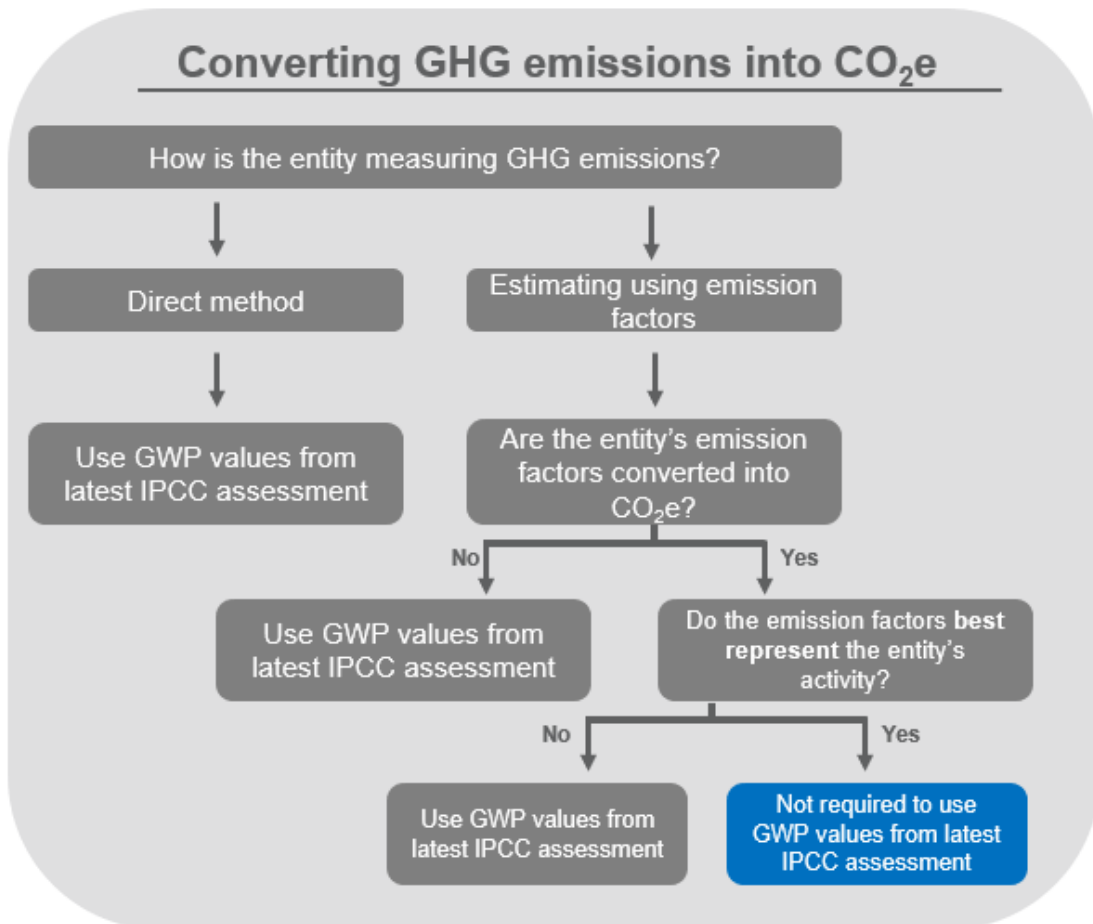
22. When measuring GHG emissions:
- (a) if an entity uses direct measurement to measure its GHG emissions, paragraph B21 of IFRS S2 requires the entity to convert its seven constituent GHGs using GWP values from the latest IPCC assessment.
- (b) if an entity uses emission factors to estimate its GHG emissions, paragraph B22 of IFRS S2 requires the entity to use emission factors that best represent the entity's activity. If these emission factors:
- (i) have already been converted the constituent gases into CO₂ equivalent values, the entity is *not required to recalculate* the emissions factors using GWP values from the latest IPCC assessment; or
- (ii) are not converted into CO₂ equivalent values, the entity is required to use GWP values from the latest IPCC assessment.
23. Therefore, entities are not required to recalculate emissions factors using GWP values from the latest IPCC assessment, and therefore not recalculate GHG emissions, if emission factors have already converted the constituent gases into CO₂ equivalent

values and if the emission factors best represent the entity’s activity. Paragraph BC93 of the Basis for Conclusions on IFRS S2 explains the ISSB’s rationale for permitting entities to not recalculate emissions factors using GWP values from the latest IPCC assessment in such circumstances, and also notes, in such cases, an entity is required to disclose the measurement approach, inputs and assumptions the entity has used to measure its GHG emissions (in accordance with paragraph 29(a)(iii)(1) of IFRS S2), which would include explaining which GWP values were used, and if necessary, why it has not used the GWP values from the latest IPCC assessment.

24. The application of paragraphs B21–B22 of IFRS S2 is depicted in Figure A.

Figure A: Application of paragraphs B21–B22 of IFRS S2.

The blue box indicates the circumstance in which an entity is not required to use GWP values from the latest IPCC assessment.



Staff view

25. In considering paragraphs 17–21 of this paper, it is the staff view that the jurisdictional relief applies *only* to the requirement to use the GHG Protocol Corporate Standard as a method for measuring GHG emissions and does *not* apply to other requirements set out in IFRS S2. Therefore, the jurisdictional relief cannot be applied to the requirement to use GWP values from the latest IPCC assessment, as this requirement is set out in IFRS S2.
26. This means, if an entity is required by a jurisdictional authority to use GWP values that are different from the GWP values from the latest IPCC assessment, the entity is still required to convert GHG emissions into CO₂ equivalent values using GWP values from the latest IPCC assessment, in the relevant circumstances explained in paragraphs 22–24 of this paper. This is true regardless of whether the jurisdictional authority requires a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard. That is, an entity might:
- (a) *not* be required by its jurisdictional authority to use a specific method for measuring GHG emissions or may be required to use the GHG Protocol Corporate Standard, but be required by its jurisdictional authority to use specific GWP values that are different from the GWP values from the latest IPCC assessment. In such circumstances, to comply with the requirements set out in IFRS S2, an entity is required to measure its GHG emissions in accordance with the GHG Protocol Corporate Standard and convert its GHG emissions into CO₂ equivalent values using GWP values from the latest IPCC assessment.
 - (b) be required by its jurisdictional authority to both use a different method for measuring GHG emissions from the GHG Protocol Corporate Standard and use GWP values that are different from the GWP values from the latest IPCC assessment. In such circumstances, to comply with the requirements in IFRS S2, an entity is permitted to use the different method for measuring GHG

emissions and is required to convert its GHG emissions into CO₂ equivalent values using GWP values from the latest IPCC assessment.

27. As with all requirements in ISSB Standards, the requirements related to the use of GWP values from the latest IPCC assessment are subject to materiality. For example, if an entity determines that GHG emissions converted into CO₂ equivalent values using GWP values from the latest IPCC assessment do not result in the provision of information that is materially different from the GHG emissions CO₂ equivalent values using GWP values from the latest IPCC assessment, an entity need not apply the requirement to use GWP values from the latest IPCC assessment.
28. The staff notes that the ISSB provided the jurisdictional relief to reduce the risk of duplication of effort by entities that would otherwise be required to use a different method for measuring GHG emissions. As a result of applying the requirements in IFRS S2, an entity might be required to measure GHG emissions differently to meet the requirements set out by a jurisdictional authority. However, the staff also notes that the ISSB decided to require the use of particular GWP values in response to comments received on the Exposure Draft for IFRS S2, to enhance comparability and to ensure GHG emissions measurement benefits from the latest scientific knowledge.

Question for the TIG members

29. The staff present the following question for the TIG members

Question for TIG members

1. What are your views on the questions and analyses presented above?

Appendix A – Relevant extracts from the Standard and Basis for Conclusions

- A1. These paragraphs include excerpts from IFRS S2 and the Basis for Conclusions on IFRS S2 that provide relevant context for this paper.

Greenhouse gases

The seven greenhouse gases listed in the Kyoto Protocol— carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF₃); perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

CO₂ equivalent

The universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide. This unit is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.

Global warming potential

A factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given greenhouse gas relative to one unit of CO₂.

Emission factors

B29 As part of an entity's disclosure of the measurement approach, inputs and assumptions, the entity shall disclose information to enable users of general purpose financial reports to understand which emission factors the entity uses in its measurement of its greenhouse gas emissions. This Standard does not specify emission factors an entity is required to use in its measurement of its greenhouse gas emissions. Instead, this Standard requires an entity to use emission factors that best represent the entity's activity as its basis for measuring its greenhouse gas emissions.

BC88 ... jurisdictions that require an entity to use other approaches for measuring greenhouse gas emissions—could incur additional costs in meeting the requirements in IFRS S2. To respond to this issue, the ISSB confirmed that if an entity is required by a jurisdictional authority or an exchange on which the entity is listed to use a method of measuring greenhouse gas emissions that differs from the GHG Protocol Corporate Standard, the entity is permitted to use that method. The ISSB agreed to this relief to avoid duplicative reporting and agreed that it only applies if an entity would otherwise be required to use both the GHG Protocol Corporate Standard and another method to measure its greenhouse gas emissions as a result of applying IFRS S2.

BC92 GWP values are multipliers applied to seven constituent greenhouse gases [...] to convert them into a standardized metric (CO₂e), which enables an entity to convert and aggregate various greenhouse gases into absolute greenhouse gas emissions data. The most frequently used GWP values are defined by the Intergovernmental Panel on Climate Change (IPCC). These values are refined in periodically published IPCC assessment reports. As of June 2023, the latest GWP values are defined in the IPCC Sixth Assessment Report.¹ The ISSB decided to introduce a requirement in IFRS S2 for an entity to use GWP values based on the latest IPCC assessment report when converting the constituent greenhouse gases into CO₂e. This requirement is intended to enhance the comparability of entities' greenhouse gas emissions disclosures, and to ensure greenhouse gas emissions data reflects the latest scientific knowledge. This approach is consistent with the GHG Protocol Corporate Standard, which recommends the use of the most recent GWP values.

¹ Intergovernmental Panel on Climate Change, *Climate Change 2022: Impacts, Adaptation, and Vulnerability*, Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, 2022.