

Workshop on carbon content

Levelling up background - Preliminary summary of the organisers

Common points emerging

- The crucial role of reliable and relevant carbon content data at both macro and micro levels in combating the climate crisis
- The short timescale we have to act (need to move fast), therefore the need to leverage on what exists
- The need for a global approach (compatible standards)
- The importance of process efficiency, minimising burdens on entities
- The application of latest digital technologies for compilation, reporting and data flow
- The role of incentivisation techniques (alongside regulated)
- The benefits of inter-disciplinary cooperation (industry specialists, academics, standards-setters, Central bankers, statisticians...)

The statistical angle

- Macro statistics are the predominant form of public data available now
- But they are:
 - Highly based on assumptions >> can be improved with data from industry
 - Less granular >> need to work on more detailed industry/product breakdowns
 - Patchy in coverage across countries >> role of Data Gaps Initiative etc
- Role of statistics to help in filling gaps and aiding convergence in microdata (Ulf von Kalckreuth's important work)
- Importance of efficient statistical access to emerging microdata, sharing of classifications and definitions where possible

Disclosure or accounting (or both)?

- Establishing a distinction between them...
 - Formal stock/flow accounting principles applied...
- Many current initiatives based on disclosure
 - But unlikely they will organically develop into accounting
 - Engagement with standard setters on future direction
- The underlying principle of “passing on” carbon content (e.g. on invoices) can be applied in both disclosure and accounting approaches
- The e-liabilities work is impressive, and based on ‘standard’ double entry accounting approach. Need to identify who could actually create accounting standards.
- Some remaining conceptual accounting challenges, and consider ‘backward compatibility’ with existing standards
- Financial experts (accountants, management/cost controllers) are best placed to take forward compilation and reporting for entities... but sharing of information across managers/decision-makers important

The quality angle

- Need for (recognisably) reliable data
- Role of (internal and external) auditors in that process – they are best placed to do the job, but resource and skills implications...
- The “Scope issue”
 - Focus now on all three scopes
 - But Scopes 1 and 2 easier to assure
 - Scope 3 has ‘upstream indirect (supply chain)’ and ‘downstream’ elements - concerns of auditors on assuring the ‘chain’
- Need to identify what we are asking of auditors and which (international?) audit standards can be used
 - Limited scope, verification...

The role of carbon offsets

- Currently a very mixed/less regulated landscape
- Can carbon offsets (and should they) be brought into any accounting and disclosure systems...?
 - Yes, in concept, at least for 'genuine offsets' (problem with 'avoidance' schemes), but identifiably
 - Need to avoid the risk of 'polluting' good work on carbon content

Direct measurement

- Workshop saw many innovative approaches...
- Increasing role of satellite imagery
 - Certainly at macro level
 - Maybe at micro level
- Combining /contrasting direct measurement data – they can build on each other
- How can developing expertise at industry and scientific levels be pooled?

Tokenisation of carbon content

- For efficiency and transparency reasons
- What are the digital tools available?
 - Impressive data flow and reporting tools / approaches presented during the workshop
 - Block chain techniques can be used, but not necessarily
 - Scope for standardisation and is there a need for it
- Support for learning from the way the VAT system operates...

Sectoral aspects

- Need for a unified system for carbon content measurement
- Recall that some sectors are:
 - more relevant than others (fossil fuels, cement, chemicals, cars, steel...)
 - already working in a collaborative way within their specific situations
- Small entities need a simple and straightforward way to contribute 'bottom-up', leveraging on statistical data
 - E.g work of Carbones sur Factures, IDG security
- Consider government entities...
 - As reporters ... maybe the same corporate system can't be used for them
 - Their role as major procurers in economies

Presenting information

- Challenge to present carbon content data alongside financials
 - At macro level for policy purposes
 - At entity level (location alongside financial statements)
- The role of presenting carbon content to the consumer
 - On products in an informative and standardised way
- How to bring data together?
 - Good work going on...
 - But possible proliferation of public and private databases