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Background

The ISSB, the CSSB and OSFI all leave a critical flaw uncorrected: the optional disclosure of underreporting. Under all these standards, reporting companies must comply with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (the "GHG Protocol"). One of the GHG Protocol's Principles is Accuracy, meaning that "data should be sufficiently precise to enable intended users to make decisions with reasonable assurance that the reported information is credible." [1] This principle requires GHG emissions to be neither over nor under actual emissions values, and uncertainties reduced as far as practicable. The GHG Protocol lists information on the causes and magnitude of uncertainties in emissions estimates, as well as any external assurance or verification on reported emissions. All these crucial elements of information fall under optional rather than mandatory disclosures. The GHG Protocol classifies "any external assurance provided and a copy of any verification statement" and "[i]nformation on the quality of the inventory (e.g., information on the causes and magnitude of uncertainties in emission estimates) as information that is optional (as opposed to required) in public GHG emissions report."[2]

Scholars and practitioners participating in the GHG Protocol's review process have warned that the Protocol's inconsistent and unverifiable emissions calculation methodologies may lead to inaccuracies and underreporting.[3] Experts at a Columbia University workshop addressing the Protocol similarly expressed concerns about the Protocol's ability to accurately measure emissions, also noting that its current lax data requirements enable greenwashing.[4]

This is critical in Canada since the fossil fuel sector, our country's largest emitter of GHGs, is still allowed to opt out of disclosing the possibility or probability that its emissions are underreported (which will reflect in poor scope 3 emissions data for financial institutions regulated by OSFI).

There is peer-reviewed scientific evidence of serious, systemic underreporting of scope 1 and 2 emissions from Canada's fossil fuel sector. A 2024 study by He et al measured organic carbon emissions at Canadian oil sands facilities using aircraft-based measures and found that total carbon emissions exceeded industry reported values by 1900% to over 6300%[5]. Likewise, research from Carleton University's Energy & Emissions Research Lab suggests that total methane emissions from the upstream oil and gas sector are likely at least 25–50% greater than current government estimates[6]. Li et al's report concluded that Canada's federal GHG emissions inventory underestimates emissions by a factor of 1.4 to 2.0[7].

Sources:

1. World Resource Institute and World Business Council for Sustainable Development, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (2004),at 9, accessed online[“GHG Protocol”].

2. GHG Protocol, supra at 62-4.

3. Gunther Glenk, Submission to WRI on GHG Protocol’s Corporate Standard, Scope 2 Guidance, Scope 3 Standard, Scope 3 Calculation Guidance and market-based accounting approaches at 6, accessed online; Terrascope, Submission to WRI on GHG Protocol’s Corporate Standard, Scope 2 Guidance, Scope 3 Standard, Scope 3 Calculation Guidance and market-based accounting approaches, accessed online; Climate Neutral, Submission to WRI on GHG Protocol’s Corporate Standard, Scope 2 Guidance, Scope 3 Standard, Scope 3 Calculation Guidance and market-based accounting approaches at 4, accessed online; Greenhouse Gas Protocol, World Resources Institute & World Business Council for Sustainable Development, “Greenhouse Gas Protocol: Detailed Summary of Responses from Corporate Standard Stakeholder Survey”, accessed online.

4. Qëndresa Krasniqi & Jackie Ratner, “The Future of the Greenhouse Gas Protocol: Workshop Series Summary”, Columbia Global Energy Dialogue (September 2023), accessed online.[i]