

Cradle-to-Grave vs Gate-to-Customer

Setting the Boundaries of Operational Control in Emissions Reporting

2 INSIGHTS

1. The GHG Protocols were issued in 2001 and have become the central reference standards for sustainability reporting. But they lead to double counting of emissions by reporting companies
2. Modern financial reporting standards has well-developed protocols for operational boundaries. A recent HBR article suggests using this approach and removing the double counting.

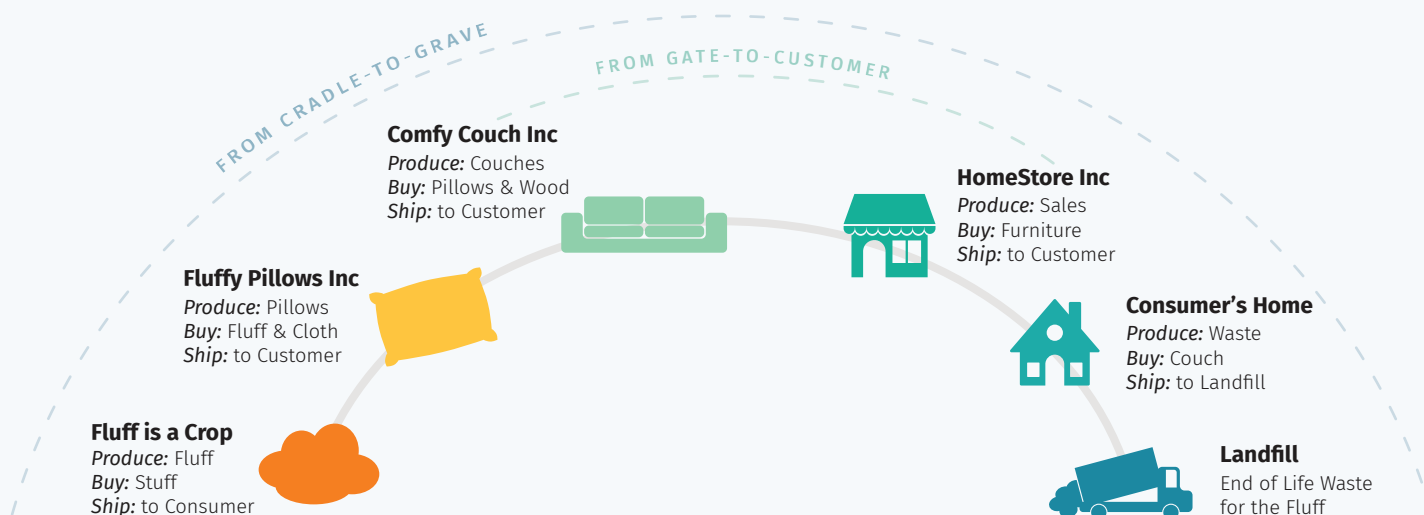
FACTS

- A recent article in Harvard Business Review, [“Accounting for Climate Change,”](#) proposes using modern financial accounting protocols for emissions reporting.
- While GHG Protocols track emissions from “cradle-to-grave”, modern accounting practices are to track emissions from “gate-to-customer.”
- Using well-accepted accounting practices enables the use of existing financial and accounting software systems, significantly decreasing reporting costs and risks.
- GLYNT recommends using the boundaries contained in the proposed SEC regulations, which are one simple change of “gate-to-customer.”

“ESG in its current form is more a buzzword than a solution... Few ESG reports engage meaningfully with the moral trade-offs within the three domains and with the company’s profits.”

Bob Kaplan and Karthik Ramanna, [Accounting for Climate Change](#)

COMPARING THE BOUNDARIES OF EMISSIONS REPORTING



To check the logic on emissions data flows, GLYNT has developed a reference model, “The Story of Fluff.” How should Comfy Couch report its emissions?

Cradle-to-Grave: This is the GHG Protocol framework. The intent is make all emissions visible to Comfy Couch, so that it can modify its product design accordingly. But Fluffy Pillow has the same reporting requirement, leading to the double counting of emissions in the aggregate.

Gate-to-Customer: Using modern accounting methods, Comfy Couch reports the emissions from purchases (e.g. supplies delivered to its gate), the emissions from making couches, and the emissions from delivering couches to customers. And, as customers receive the couches, Comfy Couch removes these emissions from its reported total. There is no double counting of emissions across the supply chain.

Standards bodies are rapidly harmonizing emissions reporting, and we expect they will move closer to the Gate-to-Customer approach. And the GHG Protocol provides considerable discretion in supply chain emissions reporting.

GLYNT recommends using the Gate-to-Customer approach but without the final step of subtracting of emissions embodied in products sold. This complies with the proposed SEC regulations and enables the use of modern accounting and financial software, lowering reporting costs and risks.

READ THE RESEARCH

- [Accounting for Climate Change](#), Harvard Business Review
- [The Corporate Standard for the GHG Protocols](#), GHG Protocols
- [A Good Overview of the Double Counting Problem](#), Stanford

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