

Measuring the Quality of Emissions Data *Challenges and Proposals*

2 INSIGHTS

1. New financial and accounting standards require businesses to report: Level of emissions; Emissions reduction plans; Quality of emission data
2. Emissions data quality will impact enterprise valuations as investors, regulators and consumers look for credible sustainability reports and reduction plans – no more greenwashing

FACTS

- The scalable solution to climate change requires financing clean energy and energy reduction projects ([COP27](#))
- Voluntary carbon markets are also a scalable mitigation solution, but suffer from poor data quality ([S&PGlobal](#))
- New reporting requirements increase the transparency of data quality issues, and will drive bad data out of the market ([PCAF](#))

“Right now, we have very little data about how much emissions individual companies are responsible for, and what data we do have is not publicly accessible.”

[Bloomberg](#)

MEASURING THE QUALITY OF EMISSIONS DATA

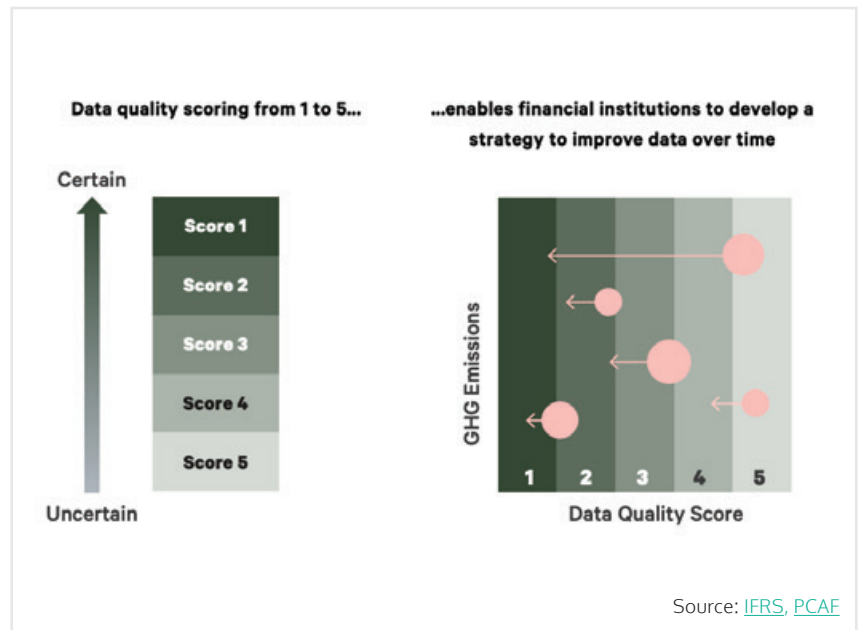
As the global sustainability reporting scale up for reporting starting in 2023 and 2024, the focus is turning to the quality of emissions data. With the jumpstart nature of the reporting challenge, the first reaction is to estimated data. But the frameworks take a longer-term view and require reporting on the quality of emissions data. Over time, businesses that continue to report only estimated data will face challenges from auditors, investors and regulators.

The [GHG Protocol](#) sets out a hierarchy of data quality that permeates all the other standards. From best to worst, here one summary of how the rankings might work:

1. Actual, company-specific emissions data for Scope 1, 2 and 3. This is the gold standard.
2. Actual, company-specific emissions data for Scope 1 and 2, with estimated data for Scope 3 using units of activity
3. Actual, company-specific emissions data for Scope 1 and 2, with estimated data for Scope 3 using spending by category
4. Estimated emissions data for Scope 1, 2, and 3, provided by the reporting company
5. Estimated emissions data for Scope 1, 2, and 3, provided by a third-party

General Data Quality Scorecard

Increased transparency drives improvement



As of this date – late in 2022 – #4 is the the most widely used method. But as analysts have noted, this can lead to estimates with 40 – 50% error bars ([Manifest Climate](#)). As investors enter the “prove it to me” stage, trying to avoid greenwashing, data quality is a metric that drives enterprise valuations. Look for significant investment in data quality by businesses and their service providers during the next 2 – 3 years.

READ THE RESEARCH

- [National Academies, Emissions Information for Decision Making](#)
- [US EPA Guidance on Emissions Data Quality](#)
- [Manifest Climate: 40 – 50% Error Bars on Financed Emissions](#)

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