

December 26, 2025

Japanese Bankers Association

JBA Comments on Greenhouse Gas Protocol Scope 2 Public Consultation

#	Question	Comment
Section 3 Proposed revisions to definitions and purpose of the location-based method and market-based method		
18	Please provide any feedback on the proposal to refine the definition of scope 2, to emphasize its role within an attributional value chain GHG inventory and clarify that scope 2 must only include emissions from electricity generation processes that are physically connected to the reporter's value chain, excluding any emissions from unrelated sources?	<ul style="list-style-type: none"> We acknowledge the rationale for refining the Scope 2 definition to include only emissions from electricity generation processes that are physically connected to a company's value chain, as this revision is expected to enhance transparency and consistency in emissions calculations. However, this change is substantial and will require clarification of data collection scope and the establishment of new governance frameworks. These adjustments may increase operational burdens and costs, particularly for multi-site and multinational companies. In Japan, where suitable locations for renewable energy are limited, there is concern that this revision could inadvertently slow investment and development in renewable energy projects. Therefore, it may be necessary to reconsider the definition in light of country-specific circumstances and practical realities. From the perspective of financial institutions, we are concerned that the proposed changes could impose significant financial burdens on utilities and project developers, negatively affecting their profitability and, consequently, the performance of related loans. In particular, for KPI-linked conditional financing such as Sustainability-Linked Loans (SLLs), which offer favorable terms to borrowers upon achieving predetermined targets, the Scope 2 revision may necessitate adjustments to existing targets and KPIs. Such changes would require additional costs and resources for both borrowers and lenders, including revising targets, reassessing KPIs, and obtaining updated third-party opinions. These factors may materially impact lenders and could discourage corporations from utilizing SLLs, potentially undermining efforts to reduce Scope 1 and Scope 3 emissions. For these reasons, we respectfully recommend that the revised definition not be implemented immediately following the transition period. Instead, we propose a phased implementation approach with clearly defined stages and sufficient preparation time, positioning implementing the changes as a long-term

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		objective. This gradual implementation would enhance predictability of risks associated with investments and debt financing, while mitigating broader risks to the real economy.
19	Please provide any feedback on the proposed clarification to the LBM definition to reflect scope 2 emissions from generation physically delivered at the times and locations of consumption, with imports included in LBM emission factor calculations where applicable?	<ul style="list-style-type: none"> Clarifying the definition of the LBM emission factor will strictly distinguish between consumption areas, supply areas, and imported electricity. As a result, reporting entities will face a significant increase in the burden of obtaining and managing granular data for each region and time period. In countries or regions like Japan, where multiple power companies operate, issues such as data granularity, accessibility, and standardization will become apparent. Therefore, the definition should be formulated considering national and regional circumstances
20	Please provide any feedback on the proposal to clarify the MBM definition to retain its existing basis, quantifying Scope 2 from contractually purchased electricity via contractual instruments, while specifying temporal correlation and deliverability when matching instruments to consumption?	<ul style="list-style-type: none"> We understand the rationale behind the proposed MBM definition and recognize its potential to contribute to the realization of a decarbonized society in a way that better reflects actual conditions. However, this change is substantial and requires sufficient clarification to ensure effective implementation. Accordingly, we respectfully request your consideration on the following two points: In Japan, a number of listed companies will be mandated to incorporate their GHG emissions in accordance with the sustainability disclosure standards published by the Sustainability Standards Board of Japan (ISSB standards adopted by Japan) into their annual securities reports as early as fiscal year 2027. Any ambiguity in the proposed definition could discourage companies from making such disclosures, thereby undermining the ISSB's fundamental objective of promoting transparency regarding climate-related risks and opportunities. To mitigate these potential negative outcomes, we recommend ensuring sufficient time to establish a robust mechanism that provides practical guidance for implementing the proposed MBM definition under national conditions, potentially in collaboration with national authorities. Furthermore, allowing the continued use of the previous version until most practical questions on the new definition are resolved would provide reassurance to both companies and investors, enabling broad and equitable application. We are concerned that the revision to introduce stricter market definitions and the requirement for hourly matching will further exacerbate issues such as the uneven distribution of renewable energy supply across regions, soaring certificate prices, and especially the tight supply of certificates in urban areas. These factors may increase costs and operational burdens, undermining companies' motivation to achieve carbon

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		neutrality. We therefore request greater flexibility in system operations, such as more flexible management of market areas and prices, and realistic relaxation of requirements for using estimated profiles when hourly data is difficult to obtain.
21	Please provide any feedback on the proposed purposes of the location-based method.	<ul style="list-style-type: none"> The purpose of the LBM is to support the allocation of emissions based on the physical demand across the grid and improve comparability. However, in practice, its effectiveness largely depends on the granularity and accessibility of regional data. In countries like Japan, where regional divisions are clearly defined, standardization and public disclosure of data for each area are essential. Implementation should strike a balance between international consistency and domestic circumstances.
22	Please provide any feedback on the proposed purposes of the market-based method.	<ul style="list-style-type: none"> The proposed MBM enables emission calculations that reflect contractual environmental value, but the operational burden of issuing, managing, and matching certificates is significant. Especially, the requirement for hourly matching is often unfeasible under current certificate markets and system capabilities. Therefore, flexible operational rules aligned with practical realities are necessary.
Section 4 Location-based method		
23	On a scale of 1 - 5, do you support the update to the location-based emission factor hierarchy <i>to identify the most precise location-based emission factor accessible according to spatial boundaries, temporal granularity, and emission factor type (consumption or production)?</i>	<ul style="list-style-type: none"> 1 (No support)
26	Please provide your concerns or reasons for why you are not supporting, if any.	<ul style="list-style-type: none"> Concern about increased administrative burden and complexity from identifying the most precise emission factors accessible Concern that the most precise temporal granularity “hourly” is too detailed Concern that the most precise spatial boundary, “local boundary”, is too narrow Concern that the proposed spatial boundaries do not reflect electricity deliverability in your region

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27	Please provide comments regarding your reasons for why you are not supporting (if any).	<ul style="list-style-type: none"> While the stricter hierarchy of emission factors improves data accuracy and comparability, it also increases the data management burden for both suppliers and reporting entities. For companies with multiple sites or operating in areas served by multiple power companies, it is essential to strengthen data collection and management systems for each area. Flexible measures that accommodate the status of data disclosure and progress in standardization in each country and region are needed
35	On a scale of 1-5 do you support the new definition of accessible: publicly available, free to use, and from a credible source?	<ul style="list-style-type: none"> 4 (General Support)
36	Please provide your reasons for support, if any	<ul style="list-style-type: none"> Definition supports feasibility and lower-cost reporting Supports transparency and public verifiability of emission factors Implements a common comparability baseline across reporters
38	Please provide your concerns or reasons for why you are not supporting (if any)	<ul style="list-style-type: none"> Definition needs further clarification about what is recognized as a credible source Other (please explain)
39	Please provide comments regarding your reasons for concern (if any).	<ul style="list-style-type: none"> Even if public institutions provide data free of charge, reporting entities will still face an increased burden in managing emission data using that information. Therefore, adequate consideration is necessary for this issue. In addition, further clarification is required to determine whether hourly data is available at no cost.
44	On a scale of 1-5 do you support the update to the requirement to use the most precise location-based emission factor accessible for which activity data is also available?	<ul style="list-style-type: none"> 1 (No Support)
47	Please provide your concerns or reasons for why you are not supporting.	<ul style="list-style-type: none"> b. Concern that administrative, data management, and audit challenges posed by this approach would place an undue burden and costs on reporters

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Section 5 Market-based method		
71	On a scale of 1-5 do you support an update to Quality Criteria 4 to require that all contractual instruments used in the market-based method be issued and redeemed for the same hour as the energy consumption to which the instrument is applied, except in certain cases of exemption.	<ul style="list-style-type: none"> • 1 (No Support)
74	Please provide concerns or reasons for why you are not supporting, if any.	<ul style="list-style-type: none"> • b. Hourly matching should follow an optional ‘may’ rather than a required ‘shall’ approach • e. Concern that a phased implementation would be insufficient for development of the infrastructure necessary (e.g., registries, trading exchanges, etc.) to support hourly contractual instruments • f. Concern that administrative, data management, and audit challenges posed by this approach would place an undue burden and costs on reporters • g. Concern that requiring hourly matching does not create meaningful improvements to inventory accuracy • h. Concern that a requirement for hourly contractual instruments could discourage global participation in voluntary clean energy procurement markets
75	Please provide comments regarding your concerns or reasons for why you are not supportive.	<ul style="list-style-type: none"> • The full implementation of hourly matching at this stage would likely lead to tight supply of renewable energy and certificates, particularly during nighttime hours, exposing practical challenges such as supply structure and certification costs. This could result in sharp increases in renewable energy prices and potential supply shortages, thereby heightening the risk of stagnation or decline in companies’ efforts toward carbon neutrality. • In addition, hourly matching requires the development of certificate issuance and management infrastructure, system upgrades, and the redesigning of operational frameworks. These changes would impose significant practical burdens and increased costs, especially on small and medium-sized businesses and companies with multiple sites. • Therefore, it is essential to establish realistic operational rules—such as exemptions and standardization—alongside a cautious, phased introduction and flexible exceptions. These measures will help mitigate unintended consequences while supporting a smooth and practical transition.

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83	On a scale of 1-5 do you support an update to scope 2 Quality Criteria 5, to require that all contractual instruments used in the market-based method be sourced from the same deliverable market boundary in which the reporting entity's electricity-consuming operations are located and to which the instrument is applied, or otherwise meet criteria deemed to demonstrate deliverability to the reporting entity's electricity-consuming operations?	<ul style="list-style-type: none"> • 1 (No Support)
86	Please provide reasons of concern or why you are not supporting, if any.	<ul style="list-style-type: none"> • b. Concern that narrower market boundaries restrict companies' abilities to invest in areas where renewable energy development could yield the greatest decarbonization impact • c. Concern that narrower market boundaries could prompt a shift away from long-term agreements (i.e., PPAs) to spot purchases (unbundled certificates) • d. Sourcing contractual instruments within deliverable market boundaries should follow an optional “may” rather than a required “shall” approach • i. Exemptions to matching within deliverable market boundaries should be allowed for markets lacking sourcing options
87	Please provide comments regarding your selected reasons for why you are not supporting.	<ul style="list-style-type: none"> • Stricter market boundaries and definitions may significantly limit the options available for sourcing and procuring environmental value. In markets with clear regional divisions such as Japan, these changes may worsen disparities in renewable energy supply—such as shortages or surpluses across regions—resulting in higher procurement costs and increased complexity. Companies with concentrated electricity consumption in urban areas are particularly vulnerable, as they may face tighter supply and rising certificate prices, leading to further cost increases and greater operational burdens under upcoming regulatory changes. • The rise in additional costs poses a risk of weakening companies' motivation to pursue carbon neutrality.

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		<p>Moreover, the impact on existing contracts and long-term procurement plans would be considerable. For these reasons, we cannot support the proposal at this stage without further consideration of these effects in designing the system.</p> <ul style="list-style-type: none"> To ensure more practical and realistic implementation, we strongly request incorporating greater flexibility into the definition of market areas and price-setting mechanisms. For example, broadening allowable price ranges or relaxing criteria for area interconnection reviews could help mitigate unintended consequences and promote a more balanced and efficient market operation.
95	What are the assumed main drivers affecting internal workload and external service costs after applying feasibility measures:	<ul style="list-style-type: none"> a. Data access/rights for EACs/registries aligned to deliverable market boundaries b. Vendor/platform upgrades or new tools c. Data integration (profiles, APIs), system configuration d. Assurance/internal controls and evidence trails g. Metering/activity data reporting configured to match deliverable market boundaries
97	On a scale of 1-5 do you support the new guidance for Standard Supply Service (SSS) and requirement that a reporting entity shall not claim more than its pro-rata share of SSS.	<ul style="list-style-type: none"> 1 (No Support)
100	Please provide concerns or why you are not supporting, if any.	<ul style="list-style-type: none"> b. Concern of regionally applicable challenges to implementation c. Unclear how partial subsidies affect SSS classification d. Unclear rules/definition of SSS f. Other (please explain)

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101	Please provide comments regarding your selected reasons for why you are not supportive.	<ul style="list-style-type: none"> The new guidance for SSS restricts the scope for claiming environmental value through public support or FIT schemes, which may reduce the flexibility of companies' procurement strategies and environmental claims. In particular, regarding the handling of FIT certificates in Japan, it is necessary to clarify operational rules that fully consider consistency with the domestic systems and the impact on companies' procurement practices.
107	Would you support a default option in cases where SSS data is not supplied by electricity providers, and no third-party registry is available, to designate certain resources as automatically qualifying as SSS?	<ul style="list-style-type: none"> Unsure
Section 6 Exemptions - Hourly Matching Exemption Threshold		
153	<p>On a scale of 1-5 do you support allowing for exemptions to hourly matching using one of the options (1-4) described above(below)?</p> <p>Option 1. Companies with annual consumption up to [X] GWh/year in a deliverable market boundary may use a monthly or annual accounting interval for Criteria 4 for all operations within that market boundary in accordance with the contractual instruments temporal data hierarchy.</p> <p>Option 2. Companies that meet the small and medium company categorization may use a monthly or annual accounting interval for</p>	<ul style="list-style-type: none"> 3 – Neutral

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	<p>Criteria 4 for all operations within that market boundary in accordance with the contractual instruments temporal data hierarchy.</p> <p>Option 3. Companies with annual consumption up to [X] GWh/year in a deliverable market boundary or meet the small and medium company categorization may use a monthly or annual accounting interval for Criteria 4 for all operations within that market boundary in accordance with the contractual instruments temporal data hierarchy.</p> <p>Option 4. Companies with annual consumption up to [X] GWh/year in a deliverable boundary and meet the small and medium company categorization may use a monthly or annual accounting interval for Criteria 4 for all operations within that market boundary in accordance with the contractual instruments temporal data hierarchy.</p>	
154	Please provide your reasons for support, if any.	<ul style="list-style-type: none"> • a. Reflects a reasonable balance of integrity, impact and feasibility as organizations under a threshold collectively contribute to fewer scope 2 emissions than the largest consumers • b. Encourages organizations under a threshold to continue to engage in voluntary procurement using an annual procurement approach • c. Provides a more equitable approach for reporting as hourly matching could be more challenging for organizations under a threshold

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155	Please provide any additional comments regarding your reasons for support.	<ul style="list-style-type: none"> For organizations below a certain scale, exemption thresholds enable the flexible introduction of reduction measures.
156	Please provide your concerns or reasons for why you are not supporting, if any.	<ul style="list-style-type: none"> h. Other (please provide)
157	Please provide any additional comments regarding your concerns or reasons for why you are not supporting.	<ul style="list-style-type: none"> While setting exemption thresholds is effective in reducing practical burdens, if the specific criteria and scope of application remain unclear, there is a risk that fairness and transparency among companies will be compromised. Furthermore, if the verification and management of thresholds become overly detailed, the burden on reporting companies is likely to increase significantly. In addition, applying uniform criteria across entire corporate groups or consolidated subsidiaries could impose the stringent hourly matching requirement on small sites, posing compliance challenges in terms of both operations and costs. Current discussions indicate that site-specific thresholds and flexible exclusion rules based on consumption scale are under consideration. We therefore respectfully request the introduction of these site-specific thresholds and other measures that facilitate practical implementation for small sites and individual business locations, ensuring that system design reflects operational realities.
Section 7 Legacy clause considerations		
171	On a scale of 1-5 do you support introduction of a Legacy Clause to exempt existing long-term contracts that comply with the current Scope 2 Quality Criteria from being required to meet updated Quality Criterion 4 (hourly matching) and Quality Criterion 5 (deliverability)?	<ul style="list-style-type: none"> 1 (No Support)

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175	Please provide any additional comments regarding your concerns or reasons for why you are not supporting.	<ul style="list-style-type: none"> • The introduction of a legacy clause is essential for ensuring the stability and predictability of existing contracts. However, it is necessary to consider not only existing long-term contracts but also planned contracts. In addition, the detailed management of existing contracts would impose an additional compliance burden on reporting entities. As the proposed legacy clause is insufficient, we are unable to support it at this stage. • A phased implementation would help reduce the practical burden and facilitate a smooth transition. However, the concerns raised above should be addressed and resolved from the perspective of companies before revising the proposal. If the specific timeline and measures for phased implementation remain unclear, there is a risk that operational preparations and system adjustments will be delayed. We therefore respectfully request sufficient notification periods and clear definitions of scope and deadlines for the phased application to ensure predictability and operational feasibility.

(End)