Positioning P-RECs within the Sustainability Landscape

P-RECs and Effective ESG Reporting: An Analysis of ESG Disclosure and Opportunities

by

Anna-Lena Hesselmann
Benjamin Ritter
Jiachen Jiang
Radhika Ajayan

Columbia SIPA
School of International and Public Affairs

P-RECs and Effective ESG Reporting

Table of Contents

Introduction

Peace Renewable Energy Credits (P-RECs) are a powerful tool in the world of sustainability and renewable energy strategies. These credits enable companies to not only meet their clean energy goals but also support global peace efforts by directing renewable energy investments to some of the world's most vulnerable populations.

This report offers an analysis of how P-RECs fit into various Environmental, Social, and Governance (ESG) and sustainability disclosure frameworks. Our study leans towards qualitative insights, drawing on real disclosures whenever feasible. It aims to present straightforward recommendations for companies considering P-REC purchases, offering a practical guide on how to incorporate these transactions into their sustainability reports.

Key Findings

1. **Alignment with Climate-related Frameworks**: P-RECs demonstrate strong alignment with major climate-related frameworks, including the CDP Climate Change Questionnaire, the Task Force on Climate-related Financial Disclosures (TCFD), and Corporate Sustainability Reporting Directive (CSRD) standards. This alignment underscores the credibility and relevance of P-RECs in the context of comprehensive sustainability reporting.

2. **Integration with Society-related Metrics in Current Frameworks**: In addition to RECs and I-RECs, P-RECs yield climate and social co-benefits. Consequently, P-RECs facilitate reportability in compliance with disclosure requirements or metrics related to social impact. The European Union's Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive already encompass disclosure requirements for the social impact of entities' activities. P-RECs can also be incorporated into social impact indicators within IRIS+ and the Sustainable Development Goals. However, the integration of P-RECs into social impact poses greater challenges compared to environmental impact. On one hand, existing disclosure frameworks lack clarity on how the value of peace/impact can be represented in the form of "credits." On the other hand, the quantification of "peace" remains ambiguous within the current sustainability accounting system.

3. **Evolution of ESG Reporting Landscape**: Recognizing the dynamic nature of ESG reporting, it's crucial to acknowledge the evolving landscape. Mandatory disclosure requirements are emerging in the EU, UK, and California, and anticipated final rules from the US Securities and Exchange Commission (SEC). Companies should stay informed and adapt their reporting practices accordingly. Notably, the EU's Sustainable Finance Disclosure Regulation is in effect, the UK will enforce TCFD-aligned reporting by 2025, and renewable energy credits face heightened scrutiny. The Corporate Sustainability

Reporting Directive (CSRD), effective since January 2023, undergoes phased implementation: large NFDR-subject companies start reporting by 2025 (Phase 1), other large companies comply from January 2025 (Phase 2), and SMEs listed on EU-regulated markets join in January 2026 (Phase 3, with opt-out until 2028). Lastly, from January 2028, non-EU-country companies meeting specific criteria fall under CSRD (Phase 4).

4. **The Uncertain Role of RECs.** Renewable Energy Credits, especially when unbundled, continue to be a topic of debate in sustainability discussions, involving concerns like perceived lack of additionality, environmental impact ambiguity, double counting potential, varied standards, and inconsistent reporting practices. These challenges result in diverse reporting approaches for REC purchases by different companies. The future trajectory of this debate remains uncertain. However, emerging frameworks, such as the SEC Climate Rule, CSRD standards, and California disclosure bills, are anticipated to offer opportunities for reporting RECs alongside metrics related to renewable energy, emissions reduction, and climate strategy.

5. **Financial Institutions: Leveraging P-RECs in ESG Reporting:** Unlike other sectors, financial institutions can doubly benefit from Peace-RECs, not only enhancing standard ESG reporting but also elevating their commitment by incorporating them into Scope 3 emissions. This dual application is particularly pertinent for institutional investors and asset managers, allowing them to proactively guide clients in optimizing investments and transition to lower carbon business models. The strategic fit for financial institutions is evident, showcasing a clear and impactful role in advancing ESG initiatives through Peace-REC integration.

ESG DISCLOSURE HIGH-LEVEL FRAMEWORK MAP				
ESG Frameworks	**Type**	**Geography**	**Key Stakeholders**	**Key Reporting Requirements**
Carbon Disclosure Project (CDP)	Voluntary	Europe, US, UK	Investors, Corporates, RE100 Members	Emissions reductions, energy sourcing, climate strategy, governance, and risk management
Sustainability Accounting Standards Board (SASB)	Voluntary	None	Asset Managers, Corporates	Sector-specific materiality, financial performance
Task Force on Climate-Related Financial Disclosure (TCFD)	Voluntary & Mandatory	EU, UK, US, Canada	Investors, Corporates, Regulators	Scenario analysis, climate strategy
Global Reporting Initiative (GRI)	Voluntary	Global	Investors, Policymakers, Capital Markets, Civil Society	Universal, Sector, and Topic Standards
Sustainable Development Goals (SDG)	Voluntary & Mandatory	Global	Countries, Corporates, Investors, Policymakers	SDG Report - includes sustainability and social performance indicators
UN Principles for Responsible Investment (PRI)	Mandatory	Global	Corporates, Asset Managers, Investors, Regulators	ESG-related investment analysis, ESG and sustainability report
IFC Sustainability Report	Voluntary	Global	Corporates, Asset Managers, Investors, Regulators	Environmental and Social Risk Assessment and Management, Resource Efficiency

P-REC Reporting Toolkit

Guide for companies to integrate Peace Renewable Energy Credits into their sustainability disclosures

Energy Peace Partners

Introduction

Peace Renewable Energy Credits (P-RECs) are a powerful tool in the world of sustainability and renewable energy strategies. These credits enable companies to not only meet their clean energy goals but also support global peace efforts by directing renewable energy investments to some of the world's most vulnerable populations.

Given structural differences across companies in terms of industries, regions and size, this guide is specifically designed for **large-multinational technology companies based in the US** to efficiently report Peace-REC (P-REC) purchases within environmental, social, and governance (ESG) and sustainability disclosure frameworks.

Representative Company Characteristics	
Industry	*Technology*
Size	*Large Multinational*
Headquarters	*United States*
Operations	*US and EU*
Sample Companies	*Microsoft, Apple, Google*

Why this Company May Purchase P-RECs:

1. **High-Impact Clean Energy Sourcing:** P-RECs extend clean energy investments into vulnerable regions, enabling companies to make progress toward renewable energy sourcing targets like RE100 while delivering powerful peace co-benefits to local communities.
2. **Emissions Reductions:** P-RECs function like other energy attribute certificates and can be used to offset company's indirect energy emissions (Scope 2) or those of upstream partners and suppliers (Scope 3).
3. **Community Development & Supply Chain Engagement:** P-RECs empower companies to drive impactful social and economic change in countries and communities where they operate, boosting supply chain engagement and fostering positive change and stability.

Integrating P-RECs into Sustainability Reporting Frameworks

> ***"We purchased the first-ever Peace REC (P-REC), issued by Energy Peace Partners from Congolese solar developer Nuru's newly commissioned 1.3-MW commercial solar-plus-storage project in Goma, Democratic Republic of the Congo; the purchase helped Nuru install and operate 35 mini-grid-connected streetlights in the Ndosho neighborhood of Goma."***
>
> **- Microsoft 2022 CDP Response**

ESG Framework	How to Report P-RECs	Sample Reporting Language
CDP Questionnaire	Report P-RECs in Section 8 of the Climate Change Questionnaire alongside other renewable energy purchasing and sourcing strategies and progress towards relevant targets.	*[Company Name] procured [Quantity] P-RECs issued by [Project Developer Name and Region] in [Year], contributing to our strategy to increase renewable energy consumption and reduce greenhouse gas emissions.*
Task Force on Climate-Related Financial Disclosure (TCFD)	Report P-RECs in your Metrics and Targets section, and identify the role of P-RECs in addressing the climate risks and opportunities previously identified in your company's Governance and Strategy and Risk Management sections.	*[Company Name] procured [Quantity] P-RECs in [Year], issued by [Project Developer and Region]. P-RECs are key components of our sustainable energy strategy, contributing to our emissions reduction goals and sustainability targets.*
Global Reporting Initiative (GRI)	Report P-RECs in sections 302 or 305 of your GRI disclosure to include their impact on your company's renewable energy generation and emissions footprint, respectively.	*[Company Name] procured [Quantity] P-RECs in [Year], [Geography], which reduced our market-based Scope 2 greenhouse gas emission by [].*
Sustainability Accounting Standards Board (SASB)	Report P-RECS alongside other key renewable energy consumption metrics in TC-TL/SI-130a.1	*In [Year], our investments in [Project Developer and Region] generated [Quantity] Peace Renewable Energy Credits (P-RECs), which contributed to our carbon offset and renewable energy management strategy.*

Looking Ahead

P-RECs play a crucial role in advancing sustainability targets, spanning renewable energy sourcing, Scope 2 emission reductions, and positive social impact within this sector. In anticipation of regulatory changes, all public companies should anticipate forthcoming the US Securities and Exchange Commission (SEC) climate rule mandating Scope 1, 2, and limited Scope 3 disclosure, closely aligned with TCFD recommendations. In California, both public and private enterprises "doing business" will be required to disclose similar information, including more comprehensive Scope 3 accounting, under the state's new SB 253 and SB 261 climate bills by 2026. Multinationals with a turnover exceeding €150 million within the European Union must adhere to the bloc's new Corporate Sustainability and Reporting Directive (CSRD), effective from January 2024 to 2028. Companies can report the distinctive social impacts of P-REC purchases within the Sustainable Development Goals (SDG) framework, with a particular focus on SDGs 7 and 16 (clean energy and peace). Stay attuned to these changes for proactive and compliant reporting in the evolving sustainability disclosure landscape.

P-REC Reporting Toolkit

Guide for companies to integrate Peace Renewable Energy Credits into their sustainability disclosures

Energy Peace Partners

Introduction

Peace Renewable Energy Credits (P-RECs) are a powerful tool in the world of sustainability and renewable energy strategies. These credits enable companies to not only meet their clean energy goals but also support global peace efforts by directing renewable energy investments to some of the world's most vulnerable populations.

This guide aims to enable companies to seamlessly integrate P-RECs into their sustainability reporting with examples and standardized language. Given structural difference across companies in terms of industries, regions and size, this guide is specifically designed for **SME chemical manufacturing companies in EU**. Larger companies in chemical manufacturing or other industrial production in EU can also refer to part of this guide.

Representative Company Characteristics	
Industry	*Chemical Manufacturing*
Size	*Small and Medium*
Headquarters	*EU*
Operations	*EU*
Sample Companies	*Walter Schmidt Chemie GmbH, Anklam Extrakt GmbH*

Why this Company May Purchase P-RECs:

1. **Energy Consumption Transformation & Risk Mitigation:** P-RECs increase the proportion of clean energy in the company's energy consumption mix , decreasing the environmental-related risks via reducing its dependence on traditional energy sources and GHG emission.
2. **Sustainability Goal Achievement:** Procuring P-RECs supports the company's sustainability targets, including GHG reduction goals and cleaner energy consumption portfolio, enhancing reputation and stakeholder trust.
3. **Community Development:** P-RECs empower companies to drive socio-economic change in underdeveloped communities, fostering stability and reducing social risks while promoting clean energy initiatives.

Integrating P-RECs into Sustainability Reporting Frameworks

Under TCFD Recommendations and GRI 305-2: LyondellBasell considers the principles of GHG Protocol Scope 2 Guidance … LyondellBasell used Guarantees of Origin (GOs) and Renewable Energy Credits (RECs) during 2022 to contractually procure renewable energy in relation to our manufacturing sites in Brazil and Sweden … This is expected to reduce scope 1 and scope 2 emissions by more than 3 million metric tons annually

-Lyondellbasell Sustainability Report 2022

ESG Framework	How to Report P-RECs	Sample Reporting Language
Corporate Sustainability Reporting Directive (CSRD)	Report P-RECs according to ESRS E1 and ESRS E3-5. Disclose the company's Scope 2 GHG emissions and GHG reductions within its operations. Also illustrate the benefit to local communities from the P-REC purchases.	*[Company Name] procured [Quantity] P-RECs in [Year], [Geography]. The P-RECs purchased contribute to [] % of renewable energy in total energy consumption to support production, reducing the Scope 2 GHG by []. The purchases also support local community's access to energy and economic development in [Geography].*
Sustainability Accounting Standards Board (SASB)	Report P-RECs in the "Energy Management" topic, under the metric RT-CH-130a.1 to report total energy consumed and percentage renewable energy.	*[Company Name] retained [Quantity] P-RECs in [Year], [Geography] contributing to [] percent of renewable energy in total energy consumption for company's chemical production.*
Global Reporting Initiative (GRI)	Report P-RECs in compliance with Disclosure 305-2 to calculate the gross, market-based scope 2 emissions and any related GHG emissions reductions.	*[Company Name] procured [Quantity] P-RECs in [Year], [Geography] to reduce market-based Scope 2 greenhouse gas emissions by [].*
Task Force on Climate-Related Financial Disclosure (TCFD)	Report P-RECs within your company's Metrics and Targets and Risk Management sections to disclose scope 2 management and related risks.	*[Company Name] procured [Quantity] P-RECs in [Year], [Geography] to contribute to our targets of to manage relevant climate-related risks, increasing our renewable energy consumption and reducing (Scope 2) greenhouse gas emissions.*

Looking Ahead

Among various disclosure frameworks, CSRD, SASB, GRI and TCFD are the most relevant for this type of company. The purchase of P-RECs could be framed as increase in clean energy consumption in production process, contributing to (scope 2) GHG reduction goals, and mitigating climate-related risks.

Looking ahead, CSRD is going to expand to include non-EU companies with subsidiaries operating within the EU or listed on EU-regulated markets starting in 2025. Additionally, as SASB is already part of ISSB and TCFD is incorporated in IFRS generated by ISSB, it is highly recommended to stay updated with possible mergers among sustainability metrics.

P-REC Reporting Toolkit

Guide for companies to integrate Peace Renewable Energy Credits into their sustainability disclosures

Energy Peace Partners

Introduction

Peace Renewable Energy Credits (P-RECs) are a powerful tool in the world of sustainability and renewable energy strategies. These credits enable companies to not only meet their clean energy goals but also support global peace efforts by directing renewable energy investments to some of the world's most vulnerable populations. Given structural difference across companies in terms of industries, regions and size, this guide is specifically designed for **multinational EU-based food & beverage companies** to efficiently report Peace-REC (P-REC) purchases.

Representative Company Characteristics	
Industry	*Food & Beverages*
Size	*Large Multinational*
Headquarters	*EU*
Operations	*Global*
Sample Companies	*Nestlé, PepsiCo.*

Why this Company May Purchase P-RECs:

1. **Energy Consumption Transformation & Sustainability Goal Achievement:** The food and beverage industry, heavily dependent on a global supply chain, faces growing influence from ESG considerations affecting regulators, shareholders, and consumers. According to a recent "State of ESG Compliance" report from TraceGrains, 64% of respondents acknowledge the significance of ESG compliance, with 43% emphasizing the 'reduction of carbon footprint and greenhouse gas emissions' as a key investment driver. The adoption of P-RECs enhances the use of clean energy in the company's energy mix, decreasing reliance on traditional energy sources and associated GHG risks.
2. **Social Impact and Supply Chain Engagement:** Renewable energy projects supported by P-RECs contribute to conflict resolution, fostering peace in regions prone to disputes. These initiatives simultaneously create local job opportunities, promoting economic growth and stability.

Integrating P-RECs into Sustainability Reporting Frameworks

"The specific actions we are focusing on include power[ing] our manufacturing renewably by increasing the proportion of renewable electricity that we use through power purchase agreements, green tariffs, renewable energy certificates, and on-site production"

- Nestlé Climate Change 2022 CDP Report

ESG Framework	How to Report P-RECs	Sample Reporting Language
CDP Questionnaire	Report P-RECs in Section 8 of the Climate Change Questionnaire alongside other renewable energy purchasing and sourcing strategies and progress towards relevant targets. PRECs to be reported under Sourcing Methods - Unbundled Energy Attribute Certificate (EAC) purchase	*[Company Name] procured [Quantity] P-RECs in [Year], [Geography] contributing to our strategy to increase renewable energy consumption and reduce greenhouse gas emissions.*
Global Reporting Initiative (GRI)	Report P-RECs in your GRI Disclosure Section 305-5 alongside methods used to reduce GHG emissions. Further, report P-RECs and renewable energy infrastructure construction supported under Disclosure 203-1 meant for Infrastructure investments supported. Report percentage of renewable energy under Disclosure 302-1 for the total energy consumption within the organization	*[Company Name] procured [Quantity] P-RECs in [Year], [Geography] contributing to our strategy to increase renewable energy consumption and reduce greenhouse gas emissions.*
Task Force on Climate-Related Financial Disclosure (TCFD)	Report P-RECs in your TCFD Strategy Section, or as part of your other reported renewable energy sourcing.	*[Company Name] procured [Quantity] P-RECs in [Year], [Geography] to contribute to manage climate-related risks, increasing our renewable energy consumption and reducing (Scope 2) greenhouse gas emissions.*
Sustainable Development Goals	Report total emissions reduced using P-RECs and the net-zero strategy implemented by the company	*[Company Name] reduced total emissions by [amount] in [Year] and P-RECs accounted for [Quantity] of its total renewable energy sourced.*

Looking Ahead

GRI and TCFD are the most relevant disclosure frameworks used by this type of company. Additionally, EU-based companies or those conducting operations within the EU must be mindful of disclosures associated with the Corporate Sustainability Reporting Directive (CSRD). In accordance with EU regulations, sizable and publicly listed companies are obligated to regularly disclose reports detailing the social and environmental risks they encounter, along with the effects of their operations on both individuals and the environment. More than 90% of the food & beverage industry emissions come from Scope 3 emissions from a company's suppliers, carriers, and contract manufacturing partners. Meanwhile, the new SEC climate-related disclosures mandate the disclosure of Scope 3 emissions which is considerably more difficult for the food and beverages industry.

P-REC Reporting Toolkit

Guide for companies to integrate Peace Renewable Energy Credits into their sustainability disclosures

Energy Peace Partners

Introduction

Peace Renewable Energy Credits (P-RECs) are a powerful tool in the world of sustainability and renewable energy strategies. These credits enable companies to not only meet their clean energy goals but also support global peace efforts by directing renewable energy investments to some of the world's most vulnerable populations.

Given structural differences across companies in terms of industries, regions and size, this guide is specifically designed for financial service providers in the US and Europe to efficiently report Peace-REC (P-REC) purchases within environmental, social, and governance (ESG) and sustainability disclosure frameworks. By providing standardized reporting language and real-world examples, these guides can enable companies to seamlessly integrate P-RECs into their sustainability reporting and disclosure processes. In contrast to other industries, financial service providers can make twofold use of Peace-RECs. In addition to utilizing it for standard ESG reporting, they have the opportunity to elevate their commitment by incorporating it into their Scope 3 emissions. This is particularly pertinent when assuming roles as institutional investors and asset managers, where they can proactively guide clients in optimizing their investments.

Representative Company Characteristics	
Industry	*Financial Services (incl. Asset Managers and Institutional Investors).*
Size	*Any*
Headquarters	*United States*
Operations	*US and Europe*
Sample Companies	*J.P. Morgan Chase & Co., Bank of America, Goldman Sachs.*

Why this Company May Use P-RECs:

1. **Internal Sustainability Goal Achievement:** Procuring P-RECs supports sustainability targets, enhancing the companies' reputation and stakeholder trust, and aligning with next-generation impact goals.
2. **Advanced Impact Investing:** Optimizing investments not only contributes to internal sustainability goals but also empowers clients to align their portfolios with environmentally conscious initiatives and qualify as sustainable investments.
3. **Community Development & Stability:** P-RECs empower companies to drive social and economic change in local communities, fostering stability and reducing social risks while promoting clean energy initiatives.

Integrating P-RECs into Internal Sustainability Reporting Frameworks

ESG Framework	How to Report P-RECs	Sample Reporting Language
CDP Questionnaire	Report P-RECs in Section 8 of the Climate Change Questionnaire alongside other renewable energy purchasing and sourcing strategies and progress towards relevant targets.	*[Company Name] procured [Quantity] P-RECs issued by [Project Developer Name and Region] in [Year], contributing to our strategy to increase renewable energy consumption and reduce greenhouse gas emissions.*
Task Force on Climate-Related Financial Disclosure (TCFD)	Report P-RECs in your Metrics and Targets section, and identify the role of P-RECs in addressing the climate risks and opportunities previously identified in your company's Governance and Strategy and Risk Management sections.	*[Company Name] procured [Quantity] P-RECs in [Year], issued by [Project Developer and Region]. P-RECs are key components of our sustainable energy strategy, contributing to our emissions reduction goals and sustainability targets.*
Sustainability Accounting Standards Board (SASB)	Report P-RECS alongside other key renewable energy consumption metrics in TC-TL/SI-130a.1	*In [Year], our investments in [Project Developer and Region] generated [Quantity] Peace Renewable Energy Credits (P-RECs), which contributed to our carbon offset and renewable energy management strategy.*
Global Reporting Initiative (GRI)	Report P-RECS under GRI 305-5 on Reduction of GHG emissions alongside your other efforts for reduction of GHG emissions.	*[Company X] procured [Quantity] P-RECs in [Year], as part of their efforts to minimize market-based greenhouse gas emissions.*

How to Use P-RECs for Scope 3 Emissions

In addition to the traditional method of utilizing P-RECs, financial institutions have an alternative avenue for P-REC utilization—specifically through their Scope 3 emissions. Up to 97% of the sector's carbon footprint is attributed to indirect Scope 3 emissions. Notably, approximately 90% of these Scope 3 emissions within the financial services sector are linked to Category 15 Investments Activities, referring to emissions associated with the reporting company's investments, and their constitute financed emissions.

Most professional financial service providers today are signatories to voluntary disclosure frameworks, which specialize in sustainable investment initiatives. Notable examples include the UN Principles for Responsible Investment, the UK Stewardship Code, and the Principles for Responsible Banking (UNEP FI).

These frameworks mandate signatories to publicly disclose their commitment to sustainable investment practices. A number of financial services providers have previously noted that they consider companies purchasing Renewable Energy Certificates (RECs) as sustainable investments. This approach not only enables financial service providers to acquire P-RECs to fulfill their emission targets but also offers the opportunity to mitigate Scope 3 emissions by helping their customers and investors transition to lower carbon business models. They can achieve this by investing in companies that procure P-RECs or by encouraging their clients to do so, facilitating the fulfillment of emission targets for both parties.

ESG Framework	Relevancy for P-RECs
UN Principles for Responsible Investment	Report P-RECs for long-term ESG action plans and financial investments in economic activities considered to contribute substantially to climate change mitigation and adaptation.
UK Stewardship Code	Leverage P-RECs to factor in Scope 3 emissions when categorizing companies engaged in the acquisition, generation, or overall participation in RECs as sustainable investments.
Principles for Responsible Banking (UNEP FI)	Report P-RECs among projects they have invested in to both offset carbon emissions and increase sustainability and community impact worldwide.

Integrating P-RECs into Sustainability Reporting Frameworks

"To continue to meet our commitment to source renewable energy for 100% of our global power needs and address the remainder of our reported emissions, we purchase applicable EACs (e.g., Green-E certified Renewable Energy Certificates ("RECs"), International-RECs) and carbon credits."

- J.P. Morgan Chase & Co, 2022 ESG Report

Looking Ahead

In the near future, there is a growing anticipation that the issue of Scope 3 Emissions among financial institutions will receive more focused attention. With well over 90% of their emissions emanating from various aspects of their value chain, it becomes increasingly evident that there is a pressing need for clearer guidance and regulations in this realm.

Recognizing the significance of "Financed emissions" alongside internal operational emissions underscores the importance of financial service providers playing a pivotal role in supporting their customers and investors in transitioning towards more sustainable initiatives and adopting lower carbon business models.

Recommendations

1. **Monitor developments in climate-related disclosures**: Energy Peace Partners should continue to monitor new developments as these standards are finalized and come into effect, and work to ensure that P-RECs can be seamlessly integrated into corporate disclosures. Continuously monitor the relevance of Renewable Energy Certificates (RECs) and P-RECs in the context of climate-related disclosures, adapting strategies as needed to align with evolving standards and practices.

2. **Quantifying Peace Benefits**: To enhance the integration of P-RECs (Peace Renewable Energy Certificates) into sustainability disclosure and accounting practices, it is imperative for Energy Peace Partners (EPP) to quantify the positive social impact of P-RECs on peace-building. The elucidation of the peace element requires collaborative efforts led by EPP to articulate the symbiotic relationship between unit power production and unit peace enhancement. The development of a quantifying solution could lead to the precise monetization of the social benefits derived from P-RECs, thereby enhancing their attractiveness to a broader spectrum of investors. This, in turn, would significantly incentivize investors to consider P-RECs as robust instruments for risk mitigation and the attainment of society-related goals.

3. **Articulating Financial Institution's Scope 3 Emissions:** In communicating with financial clients, it is highly advisable for EPP to emphasize the twofold benefits of leveraging PRECs in ESG reporting. While enhancing standard ESG reporting is widely understood, special attention should be dedicated to articulating the added value of incorporating PRECs into Scope 3 emissions of financial institutions. Given the nuanced nature of Scope 3 emissions, it is crucial to provide clear and careful explanations to clients, ensuring a comprehensive understanding of the significant impact this dual application can have. As the potential market for integrating Peace-RECs into Scope 3 emissions is substantial, taking extra care in conveying this aspect will not only enhance transparency but also empower financial institutions to make informed and strategic decisions.

4. **Navigating Broader REC Concerns:** In addressing uncertainties around the broader role of RECs to meet corporate sustainability targets, EPP should highlight P-RECs' unique social impact and incorporate clear, quantified peace benefits. Implementing robust remote energy monitoring for built projects will dispel concerns related to greenwashing. Additionally, EPP should explore sales strategies that allow companies to involve their suppliers as potential offtakers, creating opportunities for bundled P-REC purchases where feasible.

Appendix 1: Mandatory Disclosure Frameworks

Sustainable Finance Disclosure Regulation (SFDR)

Introduction	The SFDR sets out how financial market participants have to disclose sustainability information, which helps investors who seek to put their money into companies and projects supporting sustainability objectives to make informed choices. The SFDR is also designed to allow investors to properly assess how sustainability risks are integrated into the investment decision process. In this way, the SFDR contributes to one of the EU's big political objectives: attracting private funding to help Europe make the shift to a net-zero economy.
Type	Mandatory
Geography	European Union
Sector	Finance Market Participants (Asset managers, investment advisers, funds, etc.)
Scale	Mandatory for FMPs with more than 500 employees to comply with. More than 14,000 FMPs are estimated to be impacted by the SFDR by now. Product levels of financial services are also covered
Relevance	Medium
Rationale	P-REC and REC/I-REC purchases are deemed as renewable energy consumption, which decreases the share of non-renewable energy consumption and GHG (scope II). At the time, SFDR also mandated disclosure of human rights impact. P-REC simultaneously satisfied two needs. However, FMPs usually invest directly in renewable energy projects rather than purchasing REC/I-REC.
Position 1	**Position:** SFDR PAI Climat Indicator - GHG emissions **Example**: The SFDR requires financial market participants to disclose on scope 1, 2, and 3, and total GHG emissions. Purchasing P-REC could directly decrease FMP's scope 2 and scope 3 emission.
Position 2	**Position**: SFDR PAI Climat Indicator - GHG intensity of investee companies **Example**: The SFDR requires financial market participants to disclose their investee companies' GHG emission. Although purchasing P-REC could not directly improve FMP's performance under this metric, it motivates the financial institutions to encourage their (potential) investee companies to purchase P-REC.
Position 3	**Position**: SFDR PAI Social Indicator - Violation of UN Global Compact Principles - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights
Position 4	**Position**: SFDR PAI Social Indicator Measuring Metrics - Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
Key Findings and Recommendations	P-REC has an impact on financial institutions' scope 2 and scope 3 emission. However, because companies providing financial services rarely have large

	amounts of GHG emission from production activities, they are not a major purchase force of P-RECs. However, development of measurement on scope 3 emission could strengthen the connection between SFDR and P-RECs. In addition, financial advisors could play a pivotal role in promoting P-RECs to their investee companies and clients. Therefore, SFDR might play an increasingly important role with improvement in financial emission accounting methods.

International Financial Reporting Standards (IFRS)

Introduction	The International Sustainability Standards Board (ISSB) issued the first two IFRS Sustainability Standards in June 2023: IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures).
Type	Adopted in mandatory reporting for some jurisdictions
Geography	Global
Sector	All
Scale	IFRS standards have been adopted, or allowed for corporate disclosure, in more than 168 jurisdictions.
Relevance	Medium
Rationale	The new IFRS Sustainability Disclosure standards have already been adopted by local regulators or exchange commisions as mandatory within their jurisdictions. These standards follow the TCFD model, and require similar information as requested in other TCFD-aligned frameworks. The IFRS standards should contribute to streamlined and more global alignment of the sustainability reporting landscape.
Position 1	IFRS 2 requires disclosure of total energy consumed, percentage grid electricity, and percentage renewable. This includes renewable energy purchased through power purchase agreements (PPAs) with renewable energy certificates (RECs).
Key Findings and Recommendations	The formation of the ISSB and the issuance of the IFRS Sustainability Standards is a significant shift toward alignment within the ESG reporting landscape and integration into mainstream financial disclosure frameworks. P-RECs should be reported within the IFRS metrics related to corporate energy sourcing, renewable energy purchases, and the role of RECs in meeting climate targets.

Corporate Sustainability Reporting Directive (CSRD)

Introduction	The CSRD directive aims to ensure that investors and other stakeholders have access to the information they need to assess the impact of companies on people and the environment and for investors to assess financial risks and opportunities arising from climate change and other sustainability issues. Finally,

	reporting costs will be reduced for companies over the medium to long term by harmonizing the information to be provided. The European Commission adopted the European Sustainability Reporting Standards (ESRS) that were developed by the EFRAG, previously known as the European Financial Reporting Advisory Group. Companies subject to the CSRD have to report according to the ESRS. On 5 January 2023, the CSRD entered into force. The rules will start applying between 2024 and 2028.
Type	Mandatory
Geography	European Union, Non-EU regions
Sector	Non-financial sector, and all companies meeting two of the following three conditions: ● €40 million in net turnover; ● €20 million in assets; ● 250 or more employees Non-EU companies that have a turnover of above €150 million in the EU will also have to comply.
Scale	Applies to approximately 12,000 companies. From 2024 onwards, the new directive will impact 50,000 companies.
Relevance	High
Rationale	CSRD requires disclosure on companies' impact on climate change, pollution, and the circular economy. P-REC, together with REC/I-REC can often be purchased by companies with high GHG footprint to decrease their negative impact. As CSRD also requires disclosure on human rights and local community protection, P-REC could satisfy this demand simultaneously.
Position 1	**Position**: ESRS E1 – Climate change **Example**: ESRS E1-6 requires companies to disclose the company's energy consumption and resource mix, Scope 2 GHG emissions and GHG removals during its operation. Reporting purchase of P-REC together with other REC/I-REC to indicate the company's effort in reducing GHG. In the EU, companies like Iberdrola, Vestas, Ørsted, Fortum, EDF Renewables, Enel Green Power reported on their purchasing of REC.
Position 2	**Position**: ESRS S3-5 **Example**: ESRS S3-5 requires disclosure of any additional social investment or other development programmes it has in place with the primary purpose of contributing to local communities' needs. As P-REC helps bolster clean energy projects in underdeveloped regions, purchase of P-REC could be reported to illustrate the company's effort in improving life quality and economy of the local community.
Key Findings and Recommendations	Purchase of P-REC is closely related to the climate change indicator of ESRS that is adopted by CSRD. Together with other RECs, P-REC could reduce the

	scope 2 GHG of non-financial companies and therefore mitigate climate-related risks.

SEC Climate Disclosure Rule

Introduction	The US Securities and Exchange Commission (SEC) is expected to release final rules mandating climate-related financial disclosure in annual SEC filings by companies. Draft rules align closely with other mainstream frameworks, including the Task Force on Climate-Related Financial Disclosure (TCFD) and the Greenhouse Gas Protocol. In addition to qualitative sections, mandatory reporting requirements are expected to include Scope 1 and 2 emissions. The proposed Scope 3 reporting rules are expected to be watered down in the finalized rules.
Type	Mandatory
Geography	US
Sector	All
Scale	SEC-listed domestic and foreign companies
Relevance	Medium
Rationale	The SEC's proposed climate disclosure rules apply only to publicly-listed companies, excluding many private companies with large emissions footprints or renewable energy purchasers. The expected watered-down Scope 3 requirements will also limit the applicability of upstream renewable energy purchases in company disclosures. The proposed rules that request additional details about REC purchases are expected primarily from companies that rely on RECs to claim progress against a previously-announced climate target or goal.
Position 1	**Position:** Scope 2 emission reporting **Example:** Companies are expected to have to report both Scope 1 and Scope 2 emissions in annual SEC filings. Although the proposed rules indicate that gross emissions figures will be required, companies may be able to report any market-based tools (including REC purchases) they employ to offset their Scope 2 emission footprint.
Position 2	**Position:** Scope 3 emission reporting **Example:** If Scope 3 reporting remains in the finalized rules, this may allow companies to report on any upstream electricity sourcing, including those facilitated through REC purchases, aimed at managing their Scope 3 footprints.
Position 3	**Position:** Details on publicly-disclosed climate-related target or goals **Example:** Companies that report a public climate goal are expected to have to report additional details through a qualitative disclosure. This will include If carbon offsets or renewable energy certificates (RECs) have been used as part of the plan to achieve climate-related targets or goals, information about the carbon offsets or RECs, including how much of the progress made is attributable to offsets or RECs.

Key Findings and Recommendations	The SEC's proposed rules require that companies disclose information about the role of RECs in their climate strategies and targets. Draft rules do not currently differentiate between various types of RECs and purchasing agreements. Energy Peace Partners should monitor developments to ensure that future purchasers are able to adequately account for P-REC purchases in their SEC filings, and ensure that issued P-RECs are recognized as robust instruments to help achieve corporate climate goals and strategies.

California SB 253 (e Data Accountability Act)

Introduction	Passed in September 2023, this California legislation will require companies doing business in the state to report on their direct and indirect greenhouse gas emissions (Scope 1, 2, and 3). These requirements are expected to come into effect in January 2026, with mandatory Scope 3 reporting to be phased in the following year. California's Air Resource Board (CARB) will be responsible for developing finalized disclosure requirements by January 1, 2025.
Type	Mandatory
Geography	California
Sector	All
Scale	All companies "doing business" in California with at least $1 billion in total annual revenues. (~5,000 public and private companies)
Relevance	High
Rationale	These disclosure requirements will apply to both public and private companies, and are expected to require robust Scope 3 reporting. This will incentivize companies to expand their use of instruments, such as P-RECs, which can help to manage Scope 3 emissions throughout their value chain.
Key Findings and Recommendations	Unlike the anticipated SEC rules, this bill will apply to both public and private companies. This expands the potential market of companies interested in purchasing P-RECs to set or meet renewable energy targets. Mandatory Scope 3 reporting may also increase pressure on suppliers by large purchasers eager to reduce their upstream footprint, and offer new sales channels for P-RECs as a recognized instrument to improve renewable energy sourcing.

California SB 261 (Climate-Related Financial Risk Act)

Introduction	Passed in September 2023, this California legislation will require companies doing business in the state to prepare climate-related financial risk disclosures, aligned with the TCFD recommendations. Companies are expected to be able to comply with SB 261 through annual disclosures to the expected SEC climate-related financial disclosure rule or the European Union's Corporate Sustainability Reporting Directive (CSRD).
Type	Mandatory
Geography	California

Sector	All
Scale	All companies “doing business” in California with at least $500 million in total annual revenue (~10,000 public and private companies)
Relevance	Medium
Rationale	These new requirements are expected to be closely aligned with the TCFD recommendations and the forthcoming SEC Climate Rules. While these disclosure requirements will not be a major shift for most large companies, this bill is unique in that it applies to both public and private companies. This may expand the market of companies interested in procuring P-RECs for their benefits in sustainability reporting and climate-related targets.
Key Findings and Recommendations	Unlike the anticipated SEC rules, this bill will apply to both public and private companies. Like other TCFD-aligned frameworks, P-RECs can be reported alongside other renewable energy sourcing strategies undertaken by companies to meet their public climate targets and strategies.

Appendix 2: Voluntary Disclosure Frameworks

The Sustainability Accounting Standards Board (SASB)

Introduction	Founded in 2011, SASB is a non-profit organization that develops and maintains industry-specific standards for companies to disclose sustainability information to investors and other financial stakeholders. SASB's mission is to help public corporations disclose material, decision-useful information to investors. The organization created a framework for companies to disclose environmental, social, and governance (ESG) issues that could affect their financial performance. The standards capture information about corporate performance along five key dimensions of sustainability: The environment, Social capital, Human capital, Business model and innovation, Leadership and governance
Type	Voluntary
Geography	Global
Sector	All sectors (majorly used by extractives & minerals processing, finance, infrastructure, technology & communications and resource transformation industries)
Scale	More than 3000 companies use the SASB standards, with 608 among the S&P 1200.
Relevance	High
Rationale	SASB outlines guidance for financial sectors to disclose on their ESG considerations related to asset management and investment decisions. Besides, infrastructure, transport and many other sectors are suggested to report on the proportion of renewable energy used.
Position 1	**Position:** *(Metrics below are concerning (1) Total energy consumed (2) percentage grid electricity and (3) percentage renewable for different industries. Need to match the corresponding industry code.)* TC-IM-130a.1 (Internet Media & Services) TC-SI-130a.1 (Software & IT Services) TC-TL-130a.1 (Telecommunication Services) TR-RO-110a.3 (Road Transportation) TR-RA-110a.3 (Rail Transportation) TR-MT-110a.3 (Marine Transportation) TR-AP-130a.1 (Auto Parts) RT-AE-130a.1 (Aerospace & Defense) RT-EE-130a.1 (Electrical & Electronic Equipment) RT-IG-130a.1 (Industrial Machinery & Goods) RT-CH-130a.1 (Chemicals) RT-CP-130a.1 (Containers & Packaging) EM-CM-130a.1 (Construction Material)

	EM-IS-130a.1 (Iron & Steel Producers) EM-MM-130a.1 (Metals & Mining) IF-RE-130a.2. (Real Estate) IF-WM-110b.1 (Waste Management) **Example1:** Under metrics RT-CP-130a.1, a chemicals company needs to report the percentage of renewable energy in its energy consumption mix. SASB clearly illustrates that purchases of renewable power that explicitly includes REC are accounted for in energy consumption. Purchasing P-REC could increase the percentage of renewable energy, providing a cleaner energy consumption mix for the company. **Example2:** Under metrics EM-MM-130.a.1, a metal and mining company could include purchase of P-REC into its energy consumption disclosure. As P-REC increases the proportion of renewable energy in the energy consumption mix.
Position 2	**Position:** EM-EP-420a.3 (Oil & Gas - Exploration & Extraction) **Example:** Exploration and extraction companies in the oil & gas industry are suggested to disclose their amount invested in renewable energy, revenue generated by renewable energy sales. P-REC could be reported together with other REC/I-REC in the company's ESG report to indicate its contribution to investment in renewable energy.
Position 3	**Position:** FN-CB-410a.2. (Commercial Banks) - Description of approach to the incorporation of environmental, social, and governance (ESG) factors in credit analysis
Position 4	**Position:** FN-IN-410a.2. (Insurance) - Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies
Position 5	**Position:** FN-IB-410a.1-3. (investment Banking & Brokerage) - Incorporation of environmental, social, and governance factors in investment banking & brokerage activities
	Position: FN-AC-410a.1. (Asset Management) - Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability-themed investing and (3) screening
Key Findings and Recommendations	The SASB provides exhaustive standards for different industries. Generally, P-REC is easy to report for industries that consume large amounts of energy in production or other industrial activities, such as transportation, equipment manufacturing, construction and so on. The purchase of P-RECs could increase the proportion of clean energy in the energy consumption mix of companies and improve their environmental impact.

	It remains difficult for financial or professional service companies such as banks and insurance companies to report P-RECs directly, but the purchase of P-RECs by their clients could contribute to a better ESG performance for them.

Sustainable Development Goals

Introduction	A global indicator framework for SDGs was developed by the Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs) in 2017 pertaining to the 2030 Agenda for Sustainable Development. These are directed at national governments, who are expected to take ownership and establish national frameworks for the achievement of the 17 Goals.
Type	Voluntary
Geography	Global
Sector	All sectors
Scale	Although SDGs are directed at national governments who are expected to take ownership of all the 17 Goals, nearly one-third of G250 companies reported on their SDG-related goals in their annual sustainability reports between 2017 and 2020
Relevance	High
Rationale	Purchasing PRECs can increase the investments directed toward clean energy, especially in conflict-stricken regions ensuring affordable, reliable, sustainable, and modern energy for all. SDG 7, 8, and 16 can be directly linked to PRECs
Position 1	**Goal 7:** Ensure access to affordable, reliable, sustainable, and modern energy for all
Position 2	**Goal 8:** Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all
Position 4	**Goal 13:** Take urgent action to combat climate change and its impacts **Example1**: Microsoft reported on its commitment to financing renewable energy projects under SDG 13 in its 2023 SDG report. Any PREC-related purchases can potentially be included here
Position 3	**Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels
Key Findings and Recommendations	Purchasing PRECs can increase the investments directed toward clean energy, especially in conflict-stricken regions ensuring affordable, reliable, sustainable, and modern energy for all. As PRECs have funded clean energy projects in regions that previously have not had access to a reliable supply of electricity, it can indeed help boost local employment and provide more opportunities for people. Furthermore, PRECs are directly linked to the promotion of peace in conflict-stricken regions around the world. They are built around the concept of

	promotion of peace through development and effective investment opportunities.

Task Force on Climate-related Financial Disclosures (TCFD)

Introduction	The TCFD framework provides recommendations for companies to disclose information related to climate-related financial risks and opportunities. It encourages organizations to report on how climate change affects their strategy, risk management, and financial performance.
Type	Voluntary
Geography	The European Union, Singapore, Canada, Japan, South Africa, New Zealand and the United Kingdom have aligned mandatory reporting requirements with TCFD recommendations.
Sector	All
Scale	Around 4,000 organizations across 99 countries, including 1,500 financial institutions with assets of $217 trillion. 97 out of 100 largest companies are using TCFD.
Relevance	High
Rationale	TCFD's global adoption, alignment with mandatory reporting in key regions, and recognition by financial institutions make it a vital framework for P-REC stakeholders to transparently report purchases and meet regulatory obligations. The SEC Rule and California Disclosure requirements are expected to adopt the TCFD recommendations.
Position 1	**Position**: Metrics and Targets **Example**: TCFD recommendations suggest companies disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material, such as Scope 1, Scope 2 and Scope 3 GHG emission. Companies can use the metrics and targets section to report specific metrics related to their use of RECs, including the quantity of RECs purchased, the proportion of renewable energy sourced through RECs, and the resulting reduction in greenhouse gas emissions. Additionally, companies can set targets for increasing REC utilization and expanding renewable energy capacity.
Position 2	**Position**: Risk Management **Example**: Under risk management, organizations can disclose how they identify and manage climate-related risks. Companies can report on the risks associated with reliance on non-renewable energy sources and the measures taken to mitigate these risks through the procurement and use of RECs.
Position 3	**Position**: Governance and Strategy **Example**: In the governance and strategy section, companies can outline their commitment to sustainability and renewable energy adoption as part of their climate strategy. RECs can be cited as a key component of the strategy, providing details on REC purchases, renewable energy targets, and their contribution to emissions reduction goals.

Position 4	**Position**: Scenario Analysis **Example**: In the context of scenario analysis, companies can assess the impact of climate change on their operations and financial performance. The use of RECs to transition to renewable energy sources can be incorporated into different climate scenarios. Companies can detail the role of RECs in reducing carbon emissions and achieving their climate-related goals.
Key Findings and Recommendations	The TCFD recommendations have become a major guiding framework for alignment across ESG standards and disclosure platforms. Energy Peace Partners should provide guidance to prospective buyers on how P-RECs can be appropriately included in TCFD-aligned disclosures in support of their climate strategy and targets. Because P-RECs offer additional de-risking value for companies with operations or supply chains in fragile or conflict-affected countries, they are particularly well-positioned to support corporate climate risk management efforts.

Carbon Disclosure Project (CDP)

Introduction	Since 2011, CDP has gathered the largest self-reported environmental database, surveying major companies, public authorities, subnational governments, and SME suppliers annually. Integrated by Bloomberg and MSCI, CDP data informs ESG indices and investment decisions. Themed questionnaires on Climate Change, Forests, and Water Security are sent on behalf of 740+ institutional investors ($136 trillion assets) and 340+ large purchasers ($6 trillion procurement spend). Aligned with TCFD guidelines, CDP's reporting is pivotal for companies with Science-Based Targets and RE100 commitments.
Type	Voluntary
Geography	Global
Sector	All, with additional questions for high-impact industries, financial institutions, and members of various corporate pledges (RE100).
Scale	All public companies across global market indexes, private companies disclosing to their purchasers, and public authorities. Over 18,500 companies report annually to CDP, including around 80% of the S&P 500 index.
Relevance	High
Rationale	Purchasers can easily report P-RECs alongside other renewable energy purchasing or sourcing initiatives within annual CDP disclosures. CDP is also the reporting mechanism for companies pledged to RE100 (100% renewable electricity) and for companies reporting progress towards ambitious climate targets (i.e., Science-Based Targets).
Position 1	**Position:** C8.2E **Example:** This question asks companies to provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero or near-zero emission factor in the market-based Scope 2 figure they reported in C6.3. Companies who purchased P-RECs could report details on the energy

	generated here, and select “Unbundled procurement of energy attribute certificates (EACs)” and “I-REC” or “Other, please specify” from the relevant dropdown options.
Position 2	**Position:** C8.2H **Example:** This question asks companies that are members of the RE100 initiative (committed to 100% renewable energy by 2050) to report their renewable energy purchases by country/area in the reporting year. Companies who purchased P-RECs, depending on the contractual arrangement, could report the renewable energy generated and purchased at the P-REC site by country / region here, selecting “Unbundled procurement of energy attribute certificates (EACs)” and “I-REC” or “Other, please specify” from the relevant dropdown options.
Position 3	**Position:** C8.2K **Example:** This question asks companies that are members of the RE100 initiative (committed to 100% renewable energy by 2050) to report how their renewable electricity sourcing strategy directly or indirectly contributes to bringing new capacity into the grid in the countries/areas in which they operate. This is a qualitative open-text response, which Microsoft used in its 2022 CDP disclosure to report its purchase of P-RECs.
Key Findings and Recommendations	Given its extensive coverage across regions, industries, and the broader ESG data ecosystem, CDP reporting presents a significant opportunity for promoting P-RECs. CDP regularly updates its questionnaires and scoring methodology to reflect developments in the ESG and sustainability space. To include P-RECs in the dropdown options for energy attribute certificates, alongside I-RECs, J-RECs, and others, Energy Peace Partners (EPP) should actively engage with CDP. This can be achieved through participation in technical feedback forms and public consultation forums. Additionally, EPP should leverage the global network of CDP Supply Chain Members, which includes leading companies implementing innovative supplier engagement and incentive strategies to reduce upstream Scope 3 emissions (e.g., Walmart Project Gigaton, Microsoft, Google). Positioning P-RECs as an additional de-risking tool can be particularly appealing to companies with operational footprints or supply chains in fragile or conflict-affected regions. EPP can emphasize how P-RECs contribute to sourcing renewable energy upstream and enhancing the positive impact of suppliers on local communities.

Global Reporting Initiative

Introduction	The GRI Standards enable organizations – large or small, private or public – to understand and report on their impacts on the economy, environment, and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development.
Type	Voluntary

Geography	Global
Sector	All Sectors (foremost priority given to Oil & Gas, Mining, Banking, Renewable Energy, Capital Market, Agriculture, Utilities)
Scale	More than 10,000 Companies publish a GRI report and 73% of the G250 companies in the world use GRI standards to report on their sustainability
Relevance	High
Rationale	As PRECs are bought when financing clean energy infrastructure projects, businesses can report these investments under various sections such as, 'Disclosure 203-1 Infrastructure investments and services supported'
Position 1	**Position**: Disclosure 203-1 Infrastructure investments and services supported
Position 2	**Position**: Disclosure 305-5 Reduction of GHG emissions **Example1:** Apple uses GRI standards to build its Environment Progress Report. In its 2021 Environment Progress Report, Apple reported that Renewable Energy Credits (RECs) are a viable option when there is a lack of available renewable energy sources.
Key Findings and Recommendations	As PRECs are bought when financing clean energy infrastructure projects, businesses can report these investments under the section 'Disclosure 203-1 Infrastructure investments and services supported'. According to 305-5, businesses are required to report GHG emissions that include in Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). PRECs can be potentially used in the calculations of gross, market-based scope 3 emissions and can help in the reduction of GHG emissions of a business.

IRIS+

Introduction	IRIS+ is a comprehensive system for measuring, managing, and optimizing impact. It provides a standardized framework for organizations to report on their environmental, social, and governance (ESG) performance and impact. IRIS+ is widely used by impact investors, businesses, and nonprofits to assess and communicate their impact on various stakeholders, and is aligned with over 50 third-party ESG standards.
Type	Voluntary
Geography	Global
Sectors	All
Scale	Over 31,000 users have registered to use IRIS+ materials
Relevance	Medium
Rationale	IRIS+ targets investors that need an impact accounting system to measure, manage, and optimize their impact, which 17 impact themes to classify the types of strategic objectives and approaches investors use to achieve their intended effect. However, as IRIS+ majorly focuses on impact evaluation, which mostly deal with small scale entrepreneurship and direct impact contributed by

	projects and firms. Purchase of P-RECs and other RECs are rarely integrated to ESG report through IRIS+ metrics.
Position 1	**Position**: Value of Carbon Credits Purchased (OI2436) **Example**: OI2436 requires disclosure of the value of carbon credits purchased by the organization during the reporting period in currency form. Purchase of P-REC exactly fits into this metric. Both manufacturing and professional service companies could adopt this metric.
Position 2	**Position:** Greenhouse Gas Emissions Mitigation Types (OI9839) **Example:** OI9839 requires description of the company's greenhouse gas (GHG) emissions mitigation applied by the organization during the reporting period. P-REC could be incorporated under this metric.
Position 3	**Position:** Other Financial Services Offered (PD5098) **Example:** Although purchase of carbon credits is not clearly claimed as "direct investment", P-REC could be reported as other financial services offered by financial advisory companies and other buyers.
Position 4	**Position:** *(The utilization of following positions requires further definition of "investment" and "finance" by IRIS+)* Jobs Created at Directly Supported/Financed Enterprises: Total (PI3687) Jobs in Directly Supported/Financed Enterprises (PI4874) Indigenous Rights and Stewardship Practices (OI6482) Number of Community Facilities Financed (PI8007) Value of Investments in Communities Historically Marginalized Due to Race and/or Ethnicity (II6610) Community Facilities Type (PD7557) Value of Community Facilities Financed (PI2410) Number of Community Facilities Financed (PI8007) New Market Entered (OI3441) New Firms Entered (OI3141) New Businesses Created: Total (PI4583) New Businesses Created: Low Income Areas (PI6414)
Key Findings and Recommendations	The key metrics included in IRIS+ to report P-REC are the value of carbon credit purchased and type of GHG mitigation methods. Purchase of P-RECs could contribute to a more positive environmental impact of companies based on these guidelines. Meanwhile, the adoption of abundant metrics related to energy access, increase in local employment, infrastructure and economic development requires the recognition that purchase of P-RECs is a way of investment and financing under the definition of IRIS+. If it stands, purchase of P-RECs will improve energy access conditions, and bring benefit to indigenous and local communities.

IFC Sustainability Framework

Introduction	IFC's Sustainability Framework articulates the Corporation's strategic commitment to sustainable development and is an integral part of IFC's approach to risk management. The Sustainability Framework comprises IFC's Policy and Performance Standards on Environmental and Social Sustainability and IFC's Access to Information Policy.
Type	Voluntary
Geography	Global
Sector	All sectors, but applies particularly to business activities with environmental and/or social risks and/or impacts
Scale	Corporate-wide impact on sustainable development and risk management
Relevance	Medium
Rationale	Promote responsible practices, encouraging the adoption of effective management systems, and acknowledging regional nuances, particularly in sub-Saharan Africa, through tools like PRECs.
Position 1	**Position:** **Performance Standard 1:** Assessment and Management of Environmental and Social Risks and Impacts
Position 2	**Position:** **Performance Standard 3:** Resource Efficiency and Pollution Prevention
Key Findings and Recommendations	PRECs can be highlighted as a way to promote improved environmental and social performance of clients through an efficient Environmental and Social Management System (ESMS). Clients whose projects in sub-Saharan Africa directly or indirectly affected local/indigenous communities can use PRECs to ensure that grievances are met and to establish room for adequate engagement.

UN Principles for Responsible Investment (PRI)

Introduction	The PRI is the world's leading proponent of responsible investment and outlines six Principles for Responsible Investment for incorporating ESG issues into investment practice. It works to understand the investment implications of environmental, social, and governance (ESG) factors, and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.
Type	Voluntary
Geography	Global
Sector	Financial sector, especially Institutional investors and businesses providing services to investors
Scale	About 7,000 corporate signatories and all signatories are required to report on their responsible investments
Relevance	Medium
Rationale	PRECs can be included in investments in economic activities considered to

	contribute substantially to climate change mitigation and adaptation
Position 1	**Position**: **PGS 1**: Climate Solution Investments
Position 2	**Position:** **PGS 8**: Responsible Investment Policy Coverage
Position 3	**Position:** **PGS 48**: Sustainability Outcomes
Key Findings and Recommendations	PRECs can be included in investments in economic activities considered to contribute substantially to climate change mitigation and adaptation. Under PGS 8, PRECs can be included under assets AUM. And, under PGS 48, PRECs can be included here as the intended outcome or strategy for the reduction of global carbon emissions.

UK Stewardship Code

Introduction	The UK Stewardship Code was first published by the Financial Reporting Council in 2010 and sets voluntary standards for UK asset owners, asset managers and service providers (investment consultants, etc.).
Type	Voluntary
Geography	UK
Sector	Finance (Asset Management)
Scale	Approx. 300 disclosures annually
Relevance	Medium
Rationale	The Code requires asset owners and managers to declare ESG and climate issues in their annual disclosure report as well as initiatives taken.
Position 1	Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.
Position 2	Principle 5: Signatories support clients' integration of stewardship and investment, taking into account, material environmental, social and governance issues, and communicating what activities they have undertaken.
Key Findings and Recommendations	There is a lot of freedom when it comes to the declaration of ESG issues under the principles. It is necessary that the signatories include actions taken to fulfill the principle and resulting actions. PRECs could form part of these actions.

Japan's Stewardship Code

Introduction	Japan's Stewardship Code was first published by their Council of Experts in 2014. It sets voluntary standards for Japanese institutional investors.
Type	Voluntary
Geography	Japan
Sector	Finance (Asset Management)

Scale	Approx. 280 disclosures annually
Relevance	Low
Rationale	The Code requires asset owners and managers to take action to achieve sustainability (including ESG measures) and declare these in an annual report.
Position 1	Principle 3: Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.
Position 2	Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.
Key Findings and Recommendations	There is a lot of freedom when it comes to the declaration of ESG issues under the principles. It is necessary that the signatories include actions taken for medium- to long-term sustainability. PRECs could form part of these actions.

Principles for Responsible Banking (UNEP FI)

Introduction	The Principles were created in 2019 through a partnership between founding banks and the UN and is the world's foremost sustainable banking framework. It requires banks to take action to align their core strategy, decision-making, lending and investment with the UN Sustainable Development Goals, and international agreements such as the Paris Climate Agreement.
Type	Voluntary
Geography	Global
Sector	Banking
Scale	currently 325 signatories, which represent ~ 50% of global banking assets (US$ 89.4trn).
Relevance	High
Rationale	These principles require banks to disclose annually on undertakings to align with Sustainable Development Goals and follow the Paris Climate Agreement.
Position 1	The Net-Zero Banking Alliance (NZBA): climate mitigation focus of the Principles for Responsible Banking. Established in April 2021, the alliance brings together over 100 banks, the majority of which are PRB signatories, which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050, consistent with a 1.5°C ambition.
Position 2	Principle 1: Alignment. Alignment of Business Strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.
Position 3	Principle 2: Impact & Target Setting. Increase positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Key Findings and Recommendations	PRECs could have a twofold use here. Not only when it comes to the principles but specifically for the NZBA. They could be used as a tool for signatories to both meet their emission targets and also contribute to society's goals as set out under Principles 1 and 2.

Streamlined Energy and Carbon Reporting (SECR) (UK regulation)

Introduction	This regulation was introduced in 2019. Here the UK government made it mandatory for large businesses, including charitable companies, to annually report on their energy and carbon emissions as well as any efficiency measures they've taken throughout the year.
Type	Mandatory
Geography	UK
Sector	Large businesses having ⅔ of the following: 250 employees, annual turnover of more than £36m, annual balance sheet of over £18m.
Scale	Approx. 12.000 companies
Relevance	Medium
Rationale	Disclosure of energy and carbon emissions
Position 1	New Part 7A of Schedule 7, "PART 7A Disclosures concerning greenhouse gas emissions, energy consumption and energy efficiency action by unquoted companies, 20D (4) If the company has in the financial year to which the report relates taken any measures for the purpose of increasing the company's energy efficiency, the report must contain a description of the principal measures taken for that purpose.
Key Findings and Recommendations	There are no expectations per se but considering full declaration of emission statements, large corporations may be more inclined to increase their efficiency measures/ offset their emissions. PRECs could fit in here.

Appendix 3: Other Frameworks

EU Taxonomy for Sustainable Activities

Introduction	Officially adopted in July 2020, the EU taxonomy for Sustainable Activities is a classification system that defines criteria for economic activities that are environmentally sustainable. The taxonomy aims to prevent greenwashing and help investors make greener choices.
Region	European Union
Scope	The EU Taxonomy applies to FMPs, large companies and providers of financial products. It also has a concentration on agriculture, forestry, fishing, manufacturing sectors.
Position 1	N/A
Key Findings and Recommendations	Because the EU Taxonomy is a classification system, it doesn't function as a mandatory or voluntary disclosure framework for entities to follow. An investment could be deemed as sustainable according to the Taxonomy as long as it leads to a substantial contribution to at least one of the six objectives. Therefore, from a business oriented angle, illustrating the P-REC projects' qualification for EU Taxonomy could be important to attract investors.

Modern Slavery Act

Introduction	This legislation came into force in 2015. It is mostly not relevant for businesses or the corporate sector.
Type	Mandatory
Geography	UK
Sector	Large corporates
Scale	Over 12.000 companies and their international supply chains
Relevance	Low
Rationale	PRECs social impact may be relevant for transparency in supply chains, which describes business structure, relevant policies, and ongoing efforts to reduce the possibility that slavery and human trafficking occur in business or global supply chains.
Position 1	Part 6, Article 54: Transparency in supply chains etc A commercial organization within subsection (2) must prepare a slavery and human trafficking statement for each financial year of the organization. (5)(d) the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk; (5)(e) its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;
Key Findings and Recommendations	The Modern Slavery Act is not necessarily the most important law when it comes to marketing PRECs. However, on a case to case basis, it may be interesting to mention the supply chain transparency law, when companies consider investing in PRECs for the purpose of their own supply chain that may be partly located in conflicted regions as such.