

Emissions Accounting: Cradle-to-Grave vs Gate-to-Customer

Setting Clear Boundaries of Operational Control

2 INSIGHTS

1. The GHG Protocols were first issued in 2001. Now they are a central reference for sustainability reporting. But perhaps they need an update.
2. Modern accounting has proven methods to double-check data and calculations, and well-accepted procedures for establishing the boundaries of reporting. The GHG Protocol is weak in both dimensions.

FACTS

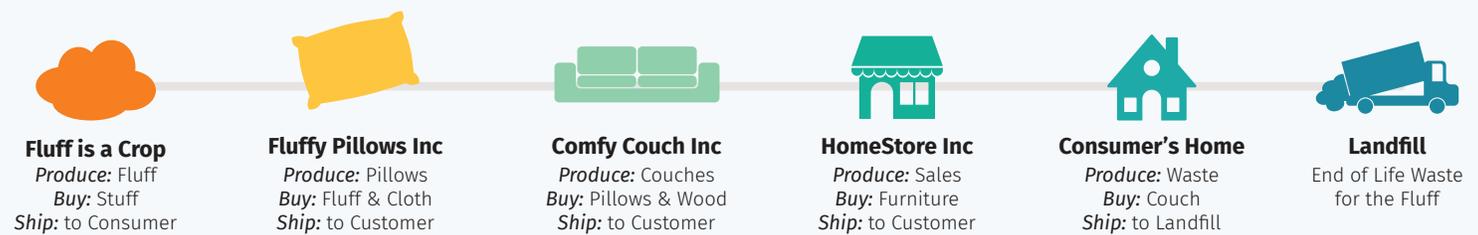
- In February 2022, Harvard Business Review published an article, [Accounting for Climate Change](#), that proposes using financial reporting protocols for GHG emissions data.
- The authors note that the GHG Protocol includes significant double-counting of emissions across the supply chain.
- They also argue it is weak on guidance of how to set operational control boundaries for emissions, an area that accounting practices have worked out long ago.
- Sustainability experts are familiar with the “cradle to grave” perspective. The term “cradle to gate” is often used to capture supply chain emissions. Using the clear and proven boundaries sent in financial accounting, we suggest that “gate to customer” works well for emissions reporting.

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

[IMF](#)

COMPARING THE BOUNDARIES OF EMISSIONS REPORTING

What Should Comfy Couch Inc Report?



Emissions accounting can be quite confusing, so GLYNT has developed a reference model, “The Story of Fluff.” We use this to check our logic on data flows and how suppliers can report emissions to buyers.

How should Comfy Couch report it’s emissions? Here are three approaches.

Cradle to Grave: Under the GHG Protocol framework. Comfy Couch reports emissions for the full value chain, from Fluff to Landfill. By capturing all data in one place, Comfy Couch can understand how its product design decisions impact the planet. But the same reporting requirement applies to Fluffy Pillow, which leads to double counting of emissions in the aggregate.

Cradle to Customer: In March 2022 the SEC proposed a new set of climate disclosure regulations, and these use a Cradle to Customer approach. Comfy Couch would report from Fluff to delivery to Home Store. Double counting of emissions in the supply chain remains.

Gate to Customer: Accounting standards have well-established boundaries, which we call Gate to Customer. The company keeps an inventory of emissions on its balance sheet. Purchase supplies, add to it. Ship product, reduce it. In each period the emissions reported are due to changes in inventory plus the emissions directly under the reporting company’s control, e.g. Scope 1 emissions. There is no double counting in the aggregate.

The GHG Protocols and the proposed SEC regulations have a fair amount of discretion when reporting emissions from the supply chain and use of product. One can simplify reporting and remain compliant. Integrated Reporting, which uses the accounting framework to report sustainability data is on its way as standards bodies are moving quickly in this direction. We suggest using the Cradle to Customer approach in the meanwhile. And using modern financial software systems to produce sustainability plans, as this reduces costs and risks.

READ THE RESEARCH

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



ABOUT GLYNT

GLYNT is the leading platform for Enterprise Sustainability Data. Our mission is to enable businesses, homes and communities around the globe to produce and profit from their emissions data. GLYNT’s advanced machine learning accelerates and simplifies emissions, energy, waste and water data flows for finance and sustainability teams, and our Enterprise Sustainability Data enables reporting compliance, operational savings and climate finance. Learn more at glynt.ai