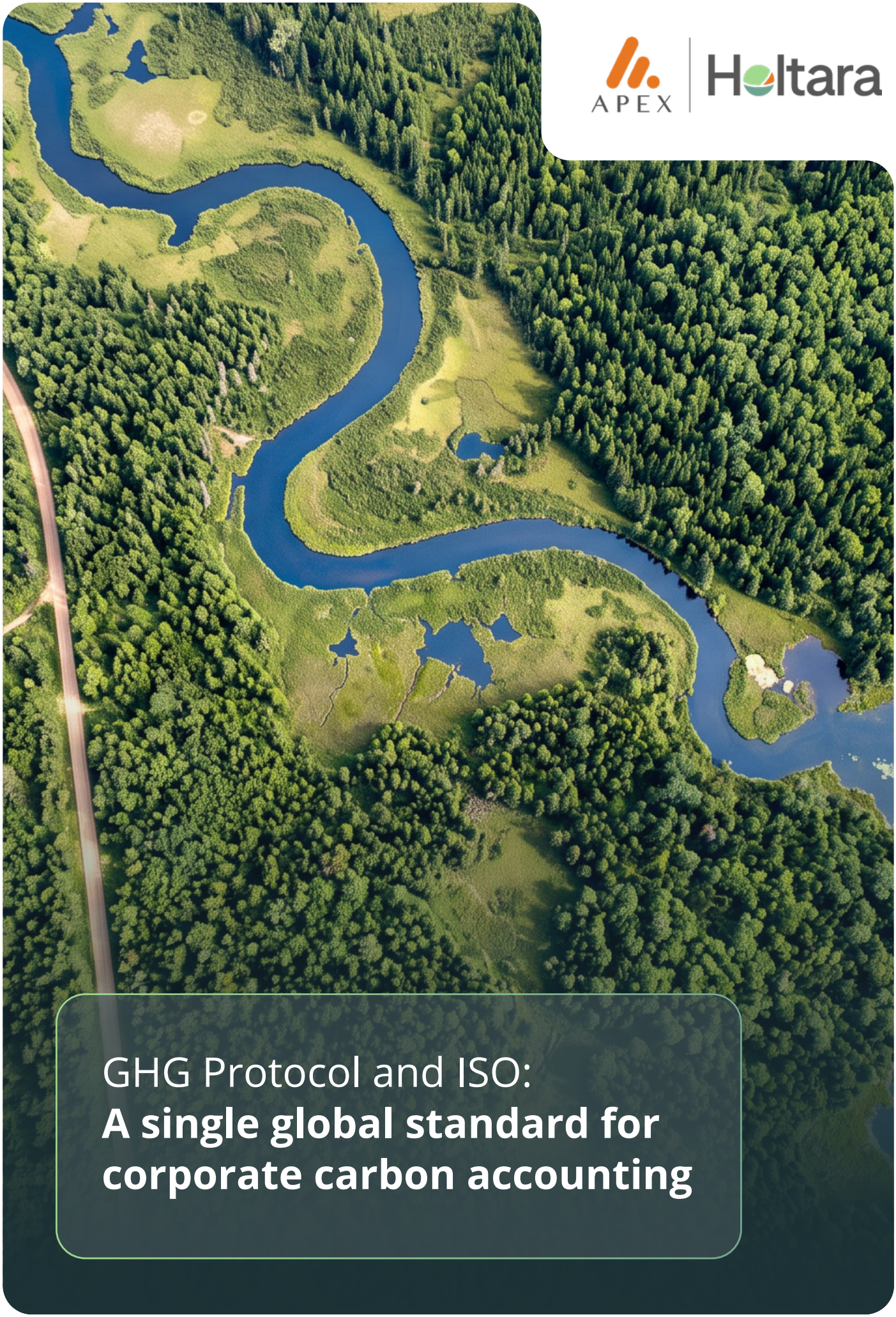


APEX | Holtara

GHG Protocol and ISO:
A single global standard for corporate carbon accounting

Introduction

The proposed consolidation of the Greenhouse Gas ("GHG") Protocol and the International Organization for Standardization ("ISO") corporate standards could simplify reporting, but it also raises the bar on Scope 2 claims, evidence for market-based instruments, and proof of real-world decarbonisation impact.

The GHG Protocol and ISO confirmed in July 2026 that they intend to merge their corporate GHG accounting standards into a single, co-branded framework, clearly signalling where GHG accounting is heading.

The main announcement is straightforward: two of the most referenced standards in corporate GHG accounting are converging into one. This should cut down on duplication, make reporting more consistent, and provide assurance providers, regulators, and investors with a common basis.

However, the proposed changes appear to go far beyond simply combining two standards. The future framework is expected to combine the traditional emissions inventory with market-based accounting and the newer Actions and Market Instruments ("AMI") workstream. In practice, many companies will find themselves separating issues that are currently bundled together in reporting discussions:

- What emissions are physically tied to our operations and value chain?
- What role do contracts and market instruments play in what we report?
- What real decarbonisation impact are our actions and investments actually having?

Portfolio company climate data already feeds limited partner ("LP") reporting, regulatory disclosure, lender due diligence, exit preparation, and value creation stories, which is exactly why this consolidation isn't a back-office concern for private equity. While streamlining standards can improve consistency and comparability across the investment lifecycle, it will raise the bar for what "good performance" looks like to buyers and investors.

1. One global standard, not two overlapping ones

The GHG Protocol and ISO plan to fold the core GHG Protocol standards (Scope 1, 2, 3 and AMI) together with ISO 14064-1 into one framework. Right now, companies effectively juggle two systems: GHG Protocol as the default for emissions reporting, and ISO requirements showing up through assurance, management systems, or customer contracts. One global standard should reduce the need to navigate two similar but different sets of requirements, and give regulators a cleaner basis for setting consistent rules. The joint consultation is currently planned for Q2 2027, with publication of the consolidated standard expected in Q4 2028.

For general partners ("GPs"), these changes will support efforts to define what good GHG accounting looks like, benchmark performance across a portfolio, and prepare data for diligence.

Companies shouldn't interpret this as simplification, or as a lowering of the bar. Merging the standards will make problems such as incomplete data, weakly evidenced Scope 2 claims, or insufficiently documented Scope 3 methods more visible, because there's now one yardstick instead of two moving targets.

The practical takeaway isn't that carbon accounting gets easier, but that poor-quality reporting will be easier to spot.

2. Scope 2 is still the fight nobody's won

Scope 2 is often a visible line in a company's climate story and one of the first areas of focus for climate action, particularly for services, software, and light industrial businesses where purchased electricity dominates the footprint.

Market-based instruments are at the centre of the debate: renewable energy certificates ("RECs"), Guarantees of Origin ("GOs"), Power Purchase Agreements ("PPAs") and green tariffs. The open question is whether these instruments should keep reducing reported emissions the way they do now, or whether accounting should shift towards more granular and location-specific evidence: matching consumption to generation by time and location rather than relying on an annual certificate (see our previous blog post on the 2025 Scope 2 proposal).

The Scope 2 consultation drew over 1,000 responses from 56 countries, but the question of how corporate electricity procurement should count towards decarbonisation has not been resolved. GHG Protocol hasn't picked a lane yet – several approaches are still on the table, reflecting genuinely different views on what actually drives grid decarbonisation, including the push towards hourly, location-matched accounting.

Portfolio companies leaning heavily on market-based instruments for their reported reductions should monitor this area closely. While we do not expect those instruments to disappear, the way claims are reported or evidenced may evolve.

For GPs, this is an exit and credibility issue as much as an accounting one. A decarbonisation story built mainly on certificates invites harder questions from buyers, lenders, and customers about whether the numbers reflect real grid impact, contractual allocation, or genuine additionality.

To prepare for this, portfolio companies should know what each claim is proving and be able to separate:

- Reductions from lower physical energy use
- Shifts in what electricity is consumed or contracted
- Emissions reported using certificates or other contractual instruments
- Claims stemming from grid-level decarbonisation

3. AMI may be the most important proposal of this set

The AMI workstream may end up being the most consequential piece. It looks at how companies report the impact of climate actions and market instruments beyond the standard emissions inventory, through a multi-statement model.

Under this proposal, companies would report:

Physical inventory emissions (broadly analogous to today's attributional Scope 1, 2 and 3 inventory)

Market-based or contractual inventory emissions (a separate inventory reflecting the effect of recognised market instruments and contractual arrangements)

GHG impact from specific actions taken (such as avoided emissions, enabled emissions reductions, transition-finance impacts, supplier interventions, or renewable energy investment impacts)

This addresses a gap in current practice. Standard GHG accounting is attributional: it identifies which emissions belong to a company's operations and value chain and is well suited to accountability and target-setting. However, it doesn't answer the question of what emissions reductions this company has helped create in the world. Right now, companies often try to answer both questions with one number. That blurs responsibility with contribution and invites greenwashing accusations from both directions.

A multi-statement model keeps the inventory clean and transparent, and gives companies a legitimate, separate place to document what their actions and investments are achieving. Quality requirements attached to that statement do the real work of making the claims credible.

Plenty of sponsors want to show they're actively driving decarbonisation through capex, procurement, supplier engagement, and transition planning, not just measuring it. AMI could give that story a proper structure to sit in.

In practice, we see many portfolio companies struggle with these concepts, especially those that enable system-level decarbonisation by wanting, for instance, to report on net rather than gross emissions in Scope 3. This is worsened when peers are observed using ambiguous rules to report less transparently. AMI could help address this by drawing a clearer distinction between the emissions attributed to an entity and the emissions reductions its actions may help create.

4. Why this matters for private equity

Assuming these announcements are implemented, GPs need to acknowledge that the impacts will go beyond accounting numbers and can impact how climate is considered in the investment cycle. They will affect how portfolio companies build credible climate data, how sponsors assess transition risk, and how climate stories get told to LPs, lenders, and buyers. It will also raise the bar for what stakeholders expect to see.

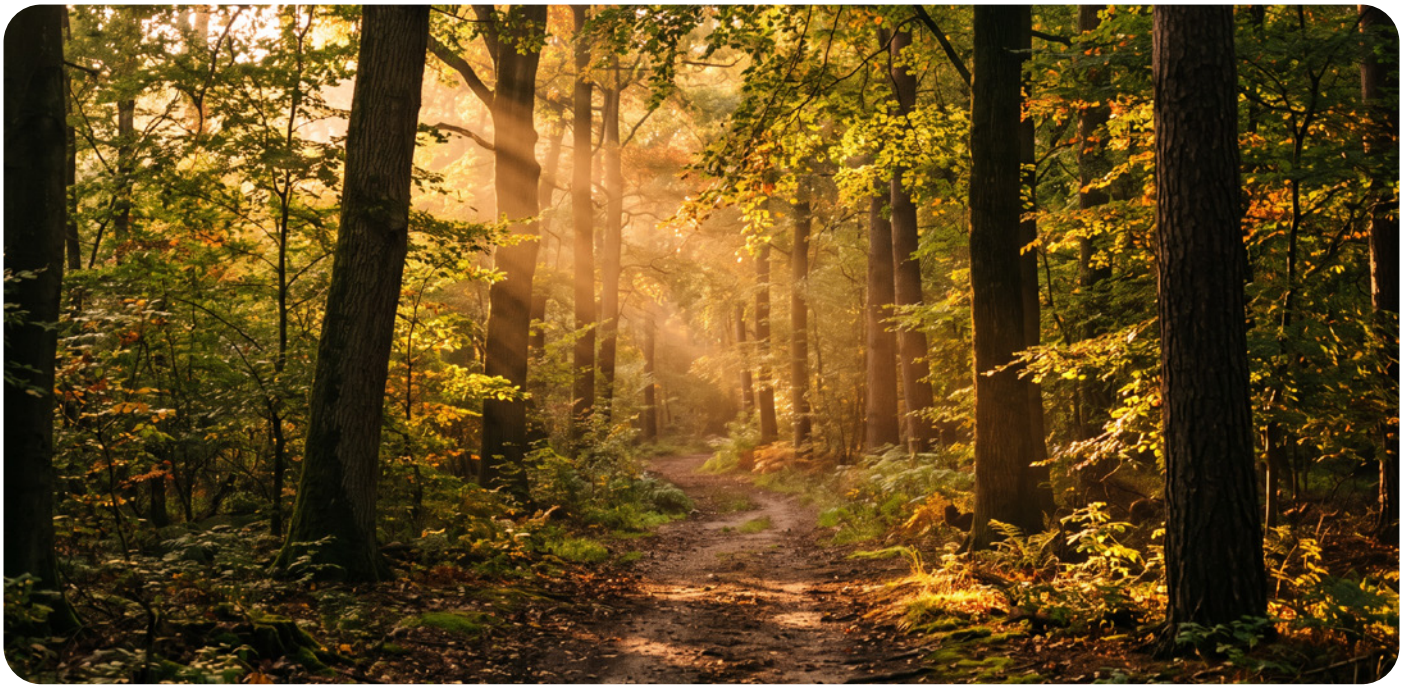
A more uniform standard will make weak or inconsistent emissions data easier to challenge by investors and buyers. Inventories based on incomplete boundaries, stale emission factors, or undocumented assumptions will stand out and attract more scrutiny, and may attract greater scrutiny in diligence and valuation discussions.

Scope 2 reduction claims will need a closer look, too. Efficiency gains, contractual procurement, certificates, supplier tariffs, and granular matching each tell a different story. GPs need to know which of these is actually driving the reported reduction and be able to explain it during due diligence. These changes may also ultimately be reflected in Science Based Targets initiative ("SBTi") validation, given how closely SBTi aligns with GHG Protocol methodology.

Sponsors will increasingly need to show exactly which decisions, investments, or operational changes produced a claimed outcome. If a sponsor claims to have driven system-level decarbonisation, that claim should trace back to specific actions, capex or operational change, and under an AMI-style approach, it would sit in its own statement.

And diligence gets more precise. Buyers and lenders can already tell the difference between emissions data, target claims, procurement instruments, and transition plans. A company that can explain all four separately will be far better placed than one offering a single blended story, especially once Corporate Sustainability Reporting Directive ("CSRD") obligations, customer sustainability requirements, green financing conditions, or exit narratives are in play.

Similar to changes seen in other standard updates (such as with **SBTi CNZ 2.0**), carbon accounting is shifting from producing a number to demonstrating management discipline.



5. What to do now

The consolidated standard isn't final, with public consultation scheduled for Q2 2027 and the joint standard expected in Q4 2028. The impact isn't immediate, but portfolio companies acquired now with a post-2030 exit horizon will likely face buyer expectations shaped by this framework.

In the portfolios we work with, the companies most exposed to these changes tend to have three characteristics: material electricity consumption, heavy reliance on contractual instruments, or ambitious transition claims that aren't yet supported by robust evidence. Sponsors can begin by:

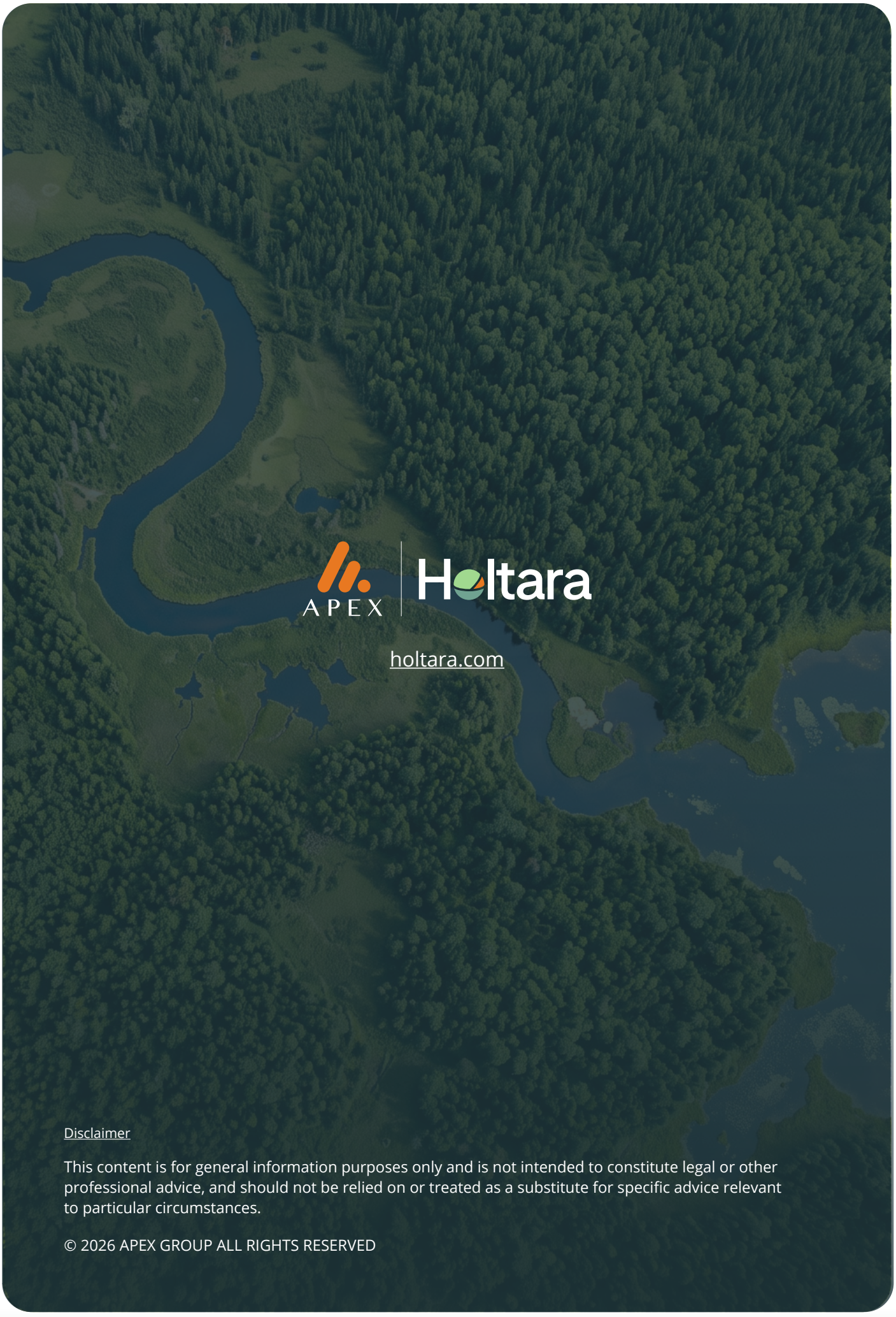
- Considering Scope 2 exposure across the portfolio, particularly where portfolio companies lean heavily on RECs, GOs, PPAs, green tariffs, or supplier-specific contracts
- Making sure companies can separate physical reductions from market-based claims
- Building the evidence needed to support a transition narrative by asking questions such as whether the baseline is documented, whether market instruments are traceable, and whether the Scope 3 inventory is robust
- Encouraging portfolio companies to distinguish between inventory emissions, market-based accounting effects, real-world decarbonisation actions, avoided-emissions or contribution claims, and transition finance impacts
- For new deals, testing whether a target's carbon accounting would hold up under future reporting expectations
- For existing portfolio companies, identifying where weak emissions data, vague electricity claims, or thin transition plans are now a clear improvement priority, especially anywhere climate credibility touches customer retention, financing terms, procurement eligibility, or exit positioning

What this means in practice

The GHG Protocol and ISO consolidation itself is good news. One standard should cut fragmentation and give reporting and assurance a firmer common footing.

In our view, the more important story is that carbon accounting is becoming more structured and harder to obscure, moving away from one flat emissions number and towards a clearer view of what's physically tied to a company, what gets reported through contracts and market instruments, and what impact its actions and investments actually have.

That split is commercially useful for GPs that are prepared to meet the higher expectations and leverage them to their advantage. It separates portfolio emissions reporting from transition finance narratives, gives value creation narratives a more robust evidential foundation, prepares companies for tougher diligence, and reduces the risk of overstated climate claims being challenged later.



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