# Rules for enlarged decarbonation measures

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**A- Definitions**

**Organisation** includes any organisation that keeps accounts, whether it is a market organisation (company, etc.) or a non-market organisation (public authority, etc.).

**Product** covers goods and services.

**Monetary accounts** refers to the summary accounts produced by monetary accounting: profit and loss account and balance sheet account.

**Carbon weight** refers to the international standard for equivalence of greenhouse gases caused by human activity, expressed in kilos of CO2 equivalent.

**Standard product** refers to a good or service taken from a nomenclature derived from the French Product List or its equivalent (link).

**Carbon accounts** refer to the carbon accounts drawn up annually by an enlarged accounting organisation :

**The unit weight** count gives the average carbon weight over the year of one unit of each standard product sold.

**The decarbonation account** measures the progress or decline in the organisation's carbon impact on the atmosphere (from one year to the next). It consolidates the decarbonation results of the organisation's subsidiaries and holdings.

**B-Principles**

**Subsidiarity of rules applied to carbons** :Unless otherwise stated in this text, the accounting officer applies the rules for monetary accounts.

**Collaboration in the measurement and verification of carbon unit weights** : Measurement and verification are shared along the invoicing chain: upstream to the supplier, downstream to the customer, throughout the cycle (production, use and end of life).

**Comparability of weights** : The measurement is transmitted to the customer as a quantity of a standard product and its unit weight, in accordance with the international standard for the carbon footprint of products 'from mine to customer' (consistent with the standard for 'upstream scopes 1, 2 and 3' organisations).

**Completeness of unit weight** : This includes the carbon weight of all the feedstocks used in the manufacture of the product and any carbons emitted or captured by the production process (excluding burnt fuels pre-counted upstream, see below).

**Prudent unit weight** : Without a supplier weight, the organisation uses a prudent weight for the standard product given by a reliable source.

**Rapid impact of carbons issued** : carbons in and out are recorded immediately (on a cash basis). By way of exception, certain commitments are monitored over several financial years, in order to ensure the accuracy of the data provided.

**Accuracy of weights reported** : Commitments for significant fixed assets and significant work-in-progress are monitored for each financial year. The resulting delay in the overall impact is offset by deducting future emissions from fossil fuel combustion from the unit weight of fossil fuels.

**C- Steps**

**1- Identification of typical product(s)**

This is the product or products proposed by the organisation, chosen from the nomenclature of standard products. The unit carbon weight of the product-type divides the carbon required to produce it over the year by the quantity sold over the year. It takes three possible forms, depending on the type of product: carbons per unit of volume (cars, built area, barrels of oil, meals served, etc.) or carbons per monetary unit (financial services, distribution, etc.).

**2- Unit weight account**

It gives the average carbon weight over the year of a unit of the standard product sold. An organisation offering several product types builds a sub-account for each one by breaking down the carbons needed to produce them. Unless justified, it follows the cost accounting keys for its monetary costs.

**Weight of carbons required for production :**

-Each significant expense item in the monetary account is associated with its carbon weighting (excluding non-carbon expenses: loaded salaries, taxes and borrowings). The list of significant expenses still includes the typical weights of energy, construction, transport, office automation and heavy movable assets. It also includes standard products whose share (in euros) of purchases exceeds 10%. Non-significant costs can be valued globally using a single national monetary emission factor.

-The carbon footprint of an expense line is calculated by multiplying a quantity by a unit weight supported by supplier invoices. Failing that, the organisation relies on a conservative unit weight from a reliable source.

-The account also records the carbon captured or emitted during production. a) other species (animals, plants, etc.) b) humans (clinkering to obtain cement, etc.). The weights are justified by carbon expertise.

**Commitments over several financial years and carbon account to be passed on**

The account records the exceptions to cash accounting, which are heavy production work-in-progress capitalised in the monetary accounts and heavy property and movable assets used in production, for which smoothing over several financial years is essential if the unit weights are to be accurate.

-The weight of property assets and their major works are included and depreciated by twentieths; also included are those present in the opening balance sheet of the monetary account for the first year of enlarged accounting (pro rata for the remaining years).

**-**Weights of significant fixed assets in carbon are included: vehicles, machinery, software (including, in the first year, significant fixed assets from the two previous years) but not small equipment stocks or office equipment. To speed up the impact of carbon emissions, significant new fixed assets are only taken into account (globally) if their total carbon weight exceeds 30% of the total weight of other purchases for the year. Each annual line is allocated in thirds to the unit weight account.

-Carbons not yet passed on from a sold asset are passed on to the buyer.

**3- Decarbonation account** (from the second financial year)

It shows the progress (or decline) of the organisation's carbon impact on the atmosphere (from one year to the next). It's the sum of :

- **The PRODUCTIVITY effect** : lower purchases for the same quantities sold. The gain in quantities purchased goes to the organisation, the gain in weight to the supplier chain. This is the sum of the variation in the quantity of each purchase for a unit of product sold, multiplied by the carbon weight of the purchase (plus any variation in the net balance of captures and production emissions).

- **The SUBSTITUTION effect** : the quantity sold of a lighter-than-average product increases, or of a heavier product decreases (measurement requires public statistics on the average weight of producers of this product). This is the variation in quantity multiplied by the difference between the unit weight and the average weight.

**- The INNOVATION effect** : an innovation that avoids carbon emissions for a partner (the measure assumes an agreement with the partner to share the carbon emissions avoided). A document with the same information as an invoice shows the fall in the annual result of one partner and the rise in the result of the other partner.

The account consolidates the decarbonation results of any subsidiaries or holdings, transposing the rules for consolidating monetary results. A financial institution may apply the same method to its loan portfolio, specifying that it is a reporting and not an accounting measure.

**4- Impact of carbon unit weights on customers**

Customers receive the quantity and unit weight (2) taken from the accounts on their invoice (or otherwise). As the unit weight is only known at the end of the financial year, the organisation can choose between two methods.

-Indicate the unit weight drawn from the last known account, from the moment it is known until the unit weight for the following financial year is known.

-Enter a smoothed weight and plot the difference between the book weight and the smoothed weight. The organisation is doing its utmost to ensure that the cumulative gap approaches zero.