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Log of draft explanations

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Cross-Cutting

ID 728 - Representation of employees and other workers

Category

Governance

Question asked

Is the "representation of employees and other workers" in ESRS 2 paragraph 21(b) asking which of the board members is also an employee or is it about if there are workers representants in the board?

ESRS Reference

ESRS 2 paragraph 21 (b)

Key terms

Representation of employees and other workers

Background

ESRS 2 paragraph 21(b) states: 'The undertaking shall disclose the following information about the composition and diversity of the members of the undertaking's administrative, management and supervisory bodies: ... (b) representation of employees and other workers ... '.

GRI is also a useful source of complementary guidance since it also requires describing the composition of the highest governance body and its committees. However, DR GOV-1 21(b) requires reporting representation of employees and other workers, whereas GRI 2-9-c-viii requires reporting stakeholder representation, which includes but is not limited to employees and other workers.

Answer

The undertaking shall disclose whether there are the undertaking's employees' and other workers' representatives in their administrative, management, and supervisory bodies. This is because ESRS 2 paragraph 21(b) requires information on the 'representation of employees and other workers'. The representation can be directly by an employee of the undertaking or indirectly selected in line with EU / national legislation on worker representation in administrative, management and supervisory bodies, i.e. being either elected directly by the workforce or appointed by workers' representative bodies, i.e. trade unions, works councils or European works councils.

Environment

ID 432 – Net zero target and GHG removals

Category

Environment

Question asked

This paragraph mentions the words "after approximately 90-95% of GHG reduction". I have the following 2 questions regarding interpretation: 1. Does this mean that under ESRS, my claim to net-zero will not be recognized if I neutralize 20% of my total reduction target to reach net-zero through removal techniques? 2) Is capturing and storing CO₂ emitted through my own operations considered to be "reduction" or "removal"?

ESRS Reference

ESRS E1 paragraphs 60 and 56 (a); Annex II Acronyms and Defined Terms: Net-zero target, GHG removal and storage

Background

Regarding the net-zero target, ESRS E1 paragraph 60 states that, in the case where the undertaking discloses a net-zero target in addition to the gross GHG emission reduction targets in accordance with Disclosure Requirement E1-4, paragraph 30, it shall explain the scope, methodologies and frameworks applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway) are intended to be neutralised by, for example, GHG removals in its own operations and upstream and downstream value chain.

Annex II Acronyms and Defined Terms defines net-zero target: 'Setting a net-zero target at the level of an undertaking aligned with meeting societal climate goals means (1) achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways, and (2) neutralizing the impact of any residual emissions (after approximately 90-95% of GHG emission reduction) by permanently removing an equivalent volume of CO₂.'

Regarding GHG removals, ESRS E1 paragraph 56 a) states that the undertaking shall disclose: (a) GHG removals and storage in metric tonnes of CO_{2eq} resulting from projects it may have developed in its own operations, or contributed to in its upstream and downstream value chain.

Annex II Acronyms and Defined Terms defines GHG removal and storage: '(Anthropogenic) Removals refer to the withdrawal of GHGs from the atmosphere as a result of deliberate human activities. These include enhancing biological sinks of CO₂ and using chemical engineering to achieve long-term removal and storage. ...'

Carbon capture and storage (CCS) from industrial and energy-related sources, which alone does not remove CO₂ in the atmosphere, can reduce atmospheric CO₂ if it is combined with bioenergy production (BECCS). Removals can be subject to reversals, which are any movement of stored GHG out of the intended storage that re-enters the surface and atmosphere. For example, if a

forest that was grown to remove a specific amount of CO₂ is subject to a wildfire, the emissions captured in the trees are reversed.

The European Commission refers to the process as follows: 'Capturing carbon dioxide directly from the atmosphere (DACCS) or from the combustion or fermentation of biogenic carbon (BECCS) has the potential to achieve negative emissions (carbon removals). The captured carbon is subsequently either stored underground or utilized in the production of synthetic materials such as fuels, chemicals, and building materials' (see [here](#) for more information). For storage, CO₂ is captured from its source, compressed and transported to geological formations, including oil and gas reservoirs, unminable coal seams, and deep saline reservoirs, where it will be stored.

Answer

- 1) *Under ESRS, is it correct to say that a claim to net-zero will not be recognized if the undertaking neutralises 20% of reduction target to reach net-zero through removal techniques?***

Net-zero target means neutralizing the impact of any residual emissions (after approximately 90-95% of GHG emission reduction) by permanently removing an equivalent volume of CO₂ (see definition of net-zero target above). As such, neutralizing more than 10 % (e.g. 20%, as stated in the question) with carbon removals would not qualify to a claim of achieving a net-zero target in accordance with ESRS definition. As stated in ESRS E1 paragraph 60, the 90-95% of GHG emission reduction is subject to sectoral variations which may be reflected in the undertaking's net-zero target.

- 2) *Is capturing and storing CO₂ emitted through my own operations considered to be "reduction" or "removal"?***

Please refer to the above definition of GHG removal and storage to identify whether or not capturing and storing CO₂ emitted through the undertaking's operations would qualify as a removal. It will be considered a removal if it results in the withdrawal of GHG from the atmosphere as a consequence of deliberate human activity (such as, for example BECCS or carbon stored in soil through enhanced agriculture practices). It should be noted that all carbon capture and storage technologies have adverse effects that should be considered.

If an undertaking is capturing and storing CO₂ that it has emitted through its own operations, this does not necessarily represent a removal. If the carbon is of fossil origin, it may represent a transfer of CO₂ into geological storage (see article 49 of Commission Implementing Regulation 2018/2066 of 19 December 2018) and, for purposes of E1-6 reporting, an emission reduction. In all cases – removals or transfers of fossil CO₂ - there needs to be a policy to monitor reversals from the storage pools (geological or others). In case of reversals of removals (ESRS E1 paragraph AR 58 (g)) or transfers of fossil CO₂, it shall be accounted as a CO₂ emission under ESRS E1 Disclosure Requirement E1-6. Removal reversals may also be reported in a separate line item, as per ESRS E1 paragraph AR60.