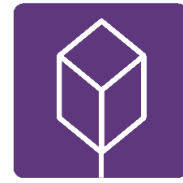




**Smart Freight  
Centre**



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# **SFC-SPEC-001 v01: MBM SPECIFICATION**

**Market Based Measures  
Specification for Logistics  
Emissions Reporting**



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### **Acknowledgements**

Smart Freight Centre thanks the organizations and individuals who participated in a pilot project during 2024, testing our checklists and reporting templates and giving feedback on draft versions of this Specification.

### **About Smart Freight Centre**

Smart Freight Centre (SFC) is a globally active non-profit organization for climate action in the freight sector. Our goal is to mobilize the global logistics ecosystem, in particular our members and partners, in tracking and reducing its greenhouse gas emissions. We accelerate the reduction of logistics emissions to achieve a zero-emission global logistics sector by 2050 or earlier, consistent with 1.5° pathways.  
[www.smartfreightcentre.org](http://www.smartfreightcentre.org)

**Suggested citation:** Smart Freight Centre. MBM Specification - Market Based Measures Specification for Logistics Emissions Reporting. 2024.

**ISBN:** 9789083362915

**Publication date:** 14 October 2024

**Version Number:** SFC-SPEC-001 v01

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## Version history

1	14/10/2024	First edition
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# Introduction

Freight transportation and logistics activities account for approximately 8% of global greenhouse gas (GHG) emissions and between now and 2050 the world will see a doubling in freight emissions, according to the International Transport Forum<sup>1</sup>. Reducing GHG emissions from freight transportation is imperative to achieve the climate goals outlined in the Paris Agreement. To accelerate climate action in today's global, complex and dynamic supply chains, Smart Freight Centre (SFC) develops both guidance and normative documents to help the global logistics ecosystem in tracking and reducing its GHG emissions.

Market Based Measures (MBM) represent an opportunity to decarbonize global logistics while bridging geographical, operational and supply constraints by decoupling the environmental attributes of sustainable transportation from the physical transportation of goods. While this decoupling is widely seen as a viable way to accelerate uptake of sustainable fuels and energy sources, today's standards and frameworks are largely bound to physical inventory accounting and are only now opening up to market based inventory accounting. To ensure high quality and integrity, market based inventory accounting must have a solid base that prevents erroneous double counting, reflects reality, and allows for integration into companies' emissions inventories.

This Specification builds on the SFC Voluntary Market Based Measures Framework for Logistics Emissions Accounting and Reporting (MBM Framework, v.1.0, October 2023) and translates elements of the guidance provided into a specification for good quality and transparent reporting by using a standard language and unambiguous requirements. It specifies the requirements for reporting of Market Based Measures under the MBM Specification Scope of the SFC Conformity Assessment Scheme (SFC CAS). It supports all supply chain actors to establish, document and report high-quality, high-integrity and consistent Low Emissions Transportation Solutions (LETS). Finally, it outlines the necessary steps and provides concise documentation that can withstand independent verification, demonstrating the credibility and sincerity of the actions taken.

In interpreting the MBM Specification reference should be made to the guidance in the MBM Framework. Currently the MBM Specification is focused on the application of emissions profiles to emissions inventories. It does not cover the certification of emissions profiles, nor does it apply to registries.

The MBM Framework was developed through a multi-stakeholder consultation process and was published in 2023. It remains valid as a guidance document. The MBM Specification does not change any MBM Framework provisions but contains clearer definitions, supplementary notes and content specification to be disclosed in an MBM Emissions Report or documented in a Monitoring Plan. This Specification was developed by SFC, considering input and practical experience of several pilot partners working with the MBM Framework guidance and assessing the MBM Specification's adequacy for use. The MBM Specification will evolve alongside the MBM Framework, driven by ongoing learnings and stakeholder input.

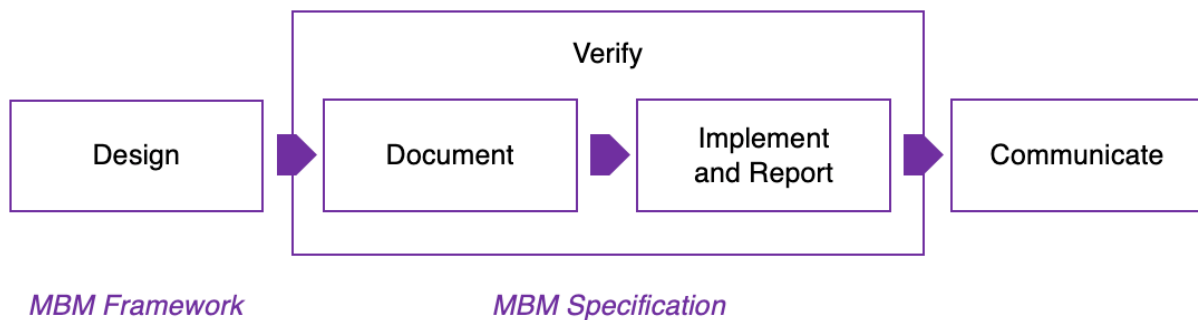
This Specification is made available for use (the "Authorized Use") by your organization under the SFC CAS as defined in the Emissions Reporter Manual - MBM Specification; Validation and Verification Body Manual - MBM Specification; and the Procedure for use of SFC documents by third parties, all of them available on our website. More information about SFC, its work on Market Based Measures and its CAS can be found at [www.smartfreightcentre.org](http://www.smartfreightcentre.org).

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<sup>1</sup> ITF (2023), *ITF Transport Outlook 2023*, OECD Publishing, Paris, <https://doi.org/10.1787/b6cc9ad5-en>.

## How to use the MBM Specification

Implementing a high-quality and high-integrity MBM approach to transportation emissions accounting and, when applicable, bringing them to the market is a process following several steps. The diagram below shows each step:



The process starts with **designing** the measures and creating a product - the Low Emissions Transportation Service (LETS). This step is guided by the MBM Framework<sup>2</sup>. In a second step, implementers will want to **document** the product and the underlying assumptions, controls, definitions and parameter choices in a **Monitoring Plan**. Once a measure is implemented, results will be disclosed in an **MBM Emissions Report**, which might undergo **third-party verification**. Lastly, implementers may want to **communicate the results** to their customer(s), via a “certificate” summarizing the key information and containing a link to the verified report.

## Meaning of language used

**Shall:** means the requirement in the clause is mandatory with no deviation permitted and is verifiable.

**Should:** means the requirement in the clause is a recommendation.

**May:** means the requirement in the clause is permitted.

**Can:** means the requirement in the clause is something that is possible to do by the reporter if they wish to.

**Disclosed:** means that the subject of the clause using this term must be reported in the MBM Emissions Report.

**Documented:** means that the subject of the clause using this term must be recorded in the Monitoring Plan or other underlying procedures/documents within the Reporter's internal control system. Some clauses specify where recording must be done, some clauses leave this to the discretion of the Reporter. Any information required to be documented must be made available to the verifier if they deem that they need it to complete their work.

<sup>2</sup> Voluntary Market Based Measures Framework for Logistics Emissions Accounting and Reporting (Smart Freight Centre, 2023)

# Specification

## 1. Scope

This document establishes a specification for a common methodology for the voluntary quantification and reporting GHG emissions associated with low emissions transportation and Low Emissions Transportation Services (LETS).

This specification supplements quantification and reporting of transportation chain emissions as specified in ISO 14083 on quantification and reporting of greenhouse gas emissions arising from transportation chain operations.

*Notes:*

*i) The MBM Specification is a flexible standard that needs to be adapted to apply to the unique circumstances of the Emissions Reporter and the scope of the report they are preparing. The MBM Specification provides a standardized set of auditable rules for MBM Emissions Reports additional to those in ISO 14083. The general principles of emissions reporting underlying ISO 14083 are equally applicable to MBM reporting in accordance with this MBM Specification.*

## 2. Normative References

The following documents are referred to in the text of this specification in such a way that some or all of their content constitute requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies:

- a) **ISO 14083:2023** - Greenhouse gases - Quantification and reporting of greenhouse gas emissions arising from transport chain operations,
- b) **SFC Voluntary Market Based Measures Framework for Logistics Emissions Accounting and Reporting**, 2023,
- c) **ISO14064-1:2018** - Greenhouse gases - Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.

## 3. Terms and definitions

The following terms and definitions shall apply to monitoring and reporting. For definitions of terms not specified here, those given in ISO 14083 are applicable.

- 3.1 **Chain of Custody System:** A set of measures underpinning the process by which materials or products (and information on those materials or products) are transferred, monitored, and controlled as they move through each step in a supply chain.
- 3.2 **Low Emissions Solution (Solution):** A product or material provided to enable the generation of a LETS.

*Notes:*

*i) A Solution is a fuel, electricity, or other product that enables the LETS to be generated.*

*ii) A Solution is considered to be low emissions provided that it arises from a non-fossil source and/or generates a lower emissions intensity than would be given by a standard commercially recognized fossil fuel used in the relevant transportation mode.*



- 3.3 **Solution Production Date:** For Solution, the date given on the associated certificate of quality or certificate of analysis.
- 3.4 **Solution Production Point:** For Solution, the geographical location(s) of production of the energy carrier.
- 3.5 **Transportation Service:** A piece of work done for a customer to move freight from one location to another.

Notes:

i) Includes arranging the transportation of freight.

- 3.6 **Low Emissions Transportation Service (LETS):** A Transportation Service done using a Low Emissions Solution.

Notes:

i) A LETS is generated directly (by the consumption of the Solution in the service actually conducted for a shipper) or indirectly (by the purchase of the sustainability profile for a directly- or indirectly-generated LETS and associating this with the transportation service actually conducted).

- 3.7 **LETS Generation:** The act of conducting low emissions transportation activity, e.g., transporting a mass of freight a certain distance using a Solution, or the act of booking a LETS as if the Solution had been used in their owned-operated fleet (carriers) or by the carriers in their supply chain (shippers and LSPs).
- 3.8 **LETS Generation Date:** The date on which the LETS activity was conducted or the date the LETS was booked as if the Solution had been used in their owned-operated fleet (carriers) or by the carriers in their supply chain (shippers and LSPs). If the LETS occurs over a number of days, the end date shall be utilized.
- 3.9 **LETS Generation Point:** Geographical location(s) where the actual transportation was conducted.
- 3.10 **Book:** The process of definitely recording the emissions profile of a Solution or a LETS in a system for tracking this profile. A registry and an internal ledger are examples of such a system.
- 3.11 **Registry:** A tool to register and track the transfer of the characteristics of a Solution or LETS.
- 3.12 **Internal Ledger:** System an organization uses to assume the responsibility for recording the tracking/ tracing of the characteristics of the booked unit.
- 3.13 **Booking Date:** The day that the process of recording the emissions profile of a Solution profile or LETS in a formal database or system for tracking such profile was completed.
- Notes:
- i) See note 3.6(i)
- ii) Where no system like a registry is used to document the Booking Date, the Booking Date of a Solution is the date the Solution Profile is transferred to the recipient. For a LETS, is the date the formal decision is made to apply a Solution Profile to a transportation.
- 3.14 **Rebook:** The process of recording the emissions profile of a LETS that was generated and booked by a carrier and claimed and rebooked by another carrier or LSP for claiming by customers in a system for tracking this profile. A registry is an example of such a system.
- 3.15 **Claim:** The process of securing the emissions profile of a Solution or a LETS from a system for tracking this profile. A registry is an example of such a system.

3.16 **Inventory Inclusion Date:** The date that the Solution emissions profile or LETS claim is accounted for and integrated into the Reporter's emissions inventory.

3.17 **Shipper:** An organization(s) with freight that needs transportation.

Notes:

i) A shipper retains an LSP or contracts with carriers directly to arrange transportation of the shipper's freight.

ii) In the ISO 14083 standard, a shipper is called "transport service user".

3.18 **Carrier:** An organization that operates transportation assets to conduct transportation activity in providing transportation services.

Notes:

i) In the ISO 14083 standard, a carrier is called "transport operator".

3.19 **Logistics Service Provider (LSP):** An organization that secures and facilitates transportation activity for shippers.

Notes:

i) LSPs do not operate their own transportation assets or conduct transportation activity; they hire carriers or other LSPs to transport freight belonging to the LSP's customers.

ii) Some LSPs also operate transportation assets for providing transportation services. Where this is the service being provided to a customer, the LSP is acting as a carrier.

ii) In the ISO 14083 standard, an LSP or Freight Forwarder is called "transport service organizer".

3.20 **Low Emissions Solution Provider (Solution Provider):** Organizations that provide a low emissions material or product to the transportation market.

Notes:

i) Solution Providers do not conduct transportation activity, nor do they contract for freight transportation activity on behalf of their customers. Solution Providers provide the products that make a LETS possible. One example of a Solution Provider is a supplier of a low emissions fuel.

3.21 **Intended User:** The individual or organization identified by the Reporter as being the one who relies on information and data disclosed to make decisions. Source: ISO 14064-1: 2018.

3.22 **Additionality:** A criterion for assessing whether a Solution or a Low Emissions Transportation Service (LETS) are required by regulation.

3.23 **Double Counting:** When two or more reporting companies take ownership of the same GHG emissions or emissions profile.

Notes:

i) Acceptable double counting occurs along the value chain where the lower emissions of a Solution are accounted for by a Carrier in their scope 1, and by the buying LSP in their scope 3 (category 4), and the LSP's customer (Shipper) in their scope 3 (category 4). In this context, the various parties are reporting emissions associated with their activities.

3.24 **Emissions Profile:** The attributes of the utilized (i.e., combusted) Solution, including: lifecycle GHG emissions factors, total emissions, transportation activity where applicable, specific emissions profile (e.g., IPCC recognised GHG gases), and/or other certified attributes. The emitter profile of a Solution or a LETS can be tracked separately from the supply chain profile of the Solution or LETS.

3.25 **Sustainability profile:** The attributes of a Solution related to sustainability requirements, including: origin, life cycle GHG emissions factors, feedstock, production process, volumetric energy density, lower heating value, applicable fuel batch ID data, and/or other certified attributes.

Notes:

i) Some sustainability profile documentation includes the emissions profile.



3.26 **Unit:** Transferrable unit related to quantity of Solution/ LETS, its Emissions Profile, and the entitlement to a claim.

*Note: Other terms utilized by registries or system operators include 'Book and Claim Unit' (and derivatives thereof) and may refer to mass, volume, or quantity of associated GHG emissions.*

3.27 **MBM Emissions Report:** A standalone document where an organization discloses to its intended users the greenhouse gas (GHG) emissions associated with its logistics activities, following a market based approach to information which is embedded in an ISO 14083-compliant Emissions Report. It can be prepared for the whole organization, or to one or a set of transportation/ hub services. It provides the subject matter for the verification or validation service. It is the source of the key information contained in a "certificate" that the Reporter may send to its customers.

*Notes:*

*i) Clause 10 defines the minimum content for reporting MBM data.*

## 4. General Accounting Principles

The application of accounting principles is fundamental to ensuring that MBM-related information reported is a true and fair account that can be relied upon by the user of reported data. The principles given in this clause are the basis for and will guide the application of the monitoring and reporting requirements contained in this Specification.

4.1 **Relevance:** The data and methodologies selected and reported shall be appropriate to the needs of the intended user of the reported data and information.

4.2 **Transparency:** The Reporter shall disclose sufficient and appropriate MBM-related information to allow intended users of the reported data and information to make decisions with reasonable confidence. The Reporter shall document assumptions and justifications sufficiently to enable clarity of understanding of the basis on which disclosures are made.

4.3 **Completeness:** The Reporter shall disclose all relevant MBM-related information necessary for transparent reporting in line with the specification. The Reporter shall document all relevant information to support criteria and procedures for reporting.

4.4 **Accuracy:** The Reporter shall reduce bias and uncertainties as far as practical.

4.5 **Consistency:** The Report shall enable meaningful comparison of MBM-related information over time and between disclosures made on the same basis.

4.6 **Conservativeness:** When assessing comparable alternative sources of data, information and methodology, the Reporter shall use a selection that is cautiously moderate and aims to ensure that disclosed information is not mis-stated.

*Notes:*

*i) Conservativeness is a principle used to choose between options that are similar in terms of other principles such as completeness and accuracy. Conservativeness is interpreted differently depending on the circumstances of the monitoring and reporting and needs to be considered in the context of the intended user of the disclosed data and information.*

4.7 **Best available data:** When selecting existing data to support disclosures, the principles of completeness, accuracy and consistency shall be applied to ensure that the quality of the data used is fit for the purpose of disclosure to the intended user. The use of primary data is preferred over the use of secondary data wherever practicable.

4.8 **Improvement over time:** When defining methodologies to determine data and information for disclosure, changes over time may be applied provided that it results in an improvement in accuracy of the disclosure.

## 5. Scope of Reporting

The scope of reporting shall include the elements stated in this clause.

5.1 A Report shall be the result of implementing the specifications for one of:

- a) a Solution Provider,
- b) a Shipper,
- c) a Logistics Services Provider (LSP),
- d) a Carrier.

Where the Reporter is an organization that could be a combination of any of (a) to (d); the report should make clear in what capacity reporting is being done.

5.2 This Report shall be either at the level of:

- a) an organization (for GHG emissions of all or a part of transportation chains operated and/or purchased by the organization, such as the annual sustainability report), or
- b) transportation or hub services (for GHG emissions of a set of transportation or hub services, reported by a service provider to a service user, such as a customer emissions report).

*Notes:*

i) See also clause 10.2.1 in relation to use of reported data by customers.

5.3 The Report shall cover emissions profile and data for:

- a) one or more Solutions,
- b) one or more LETS,
- c) both (a) and (b).

5.4 The Report shall cover a defined accounting period with a start date and an end date, which shall be disclosed.

*Notes:*

i) Example: yearly emissions report; customer emissions report for a specific transportation chain.

## 6. Quantification Approach

The monitoring and reporting of MBM data shall include the quantification approaches stated in this clause.

6.1 **Sustainability Profile.** If the sustainability/emissions profile of the Solution identified in clause 5.3 is established in line with the criteria of an existing certification system, list the name of the certification system. If no certification system is used, clause 6.1.2 is applicable.

*Notes:*

i) Existing certification systems include: ISCC, RSB, and future expanded certification systems.

ii) Clause 6.1.2 is applicable if solution has been certified, but actual distribution is not covered by certification system (e.g., sustainability/emissions profile has been transferred to authorities as evidence for mandated bio-fuel distribution or subsidies).

6.1.1 The separation of the physical Solution or LETS identified in clause 5.3 from the tracking of the Solution emissions profile or LETS emissions profile, as well as how the Solution emissions profile or LETS emissions profile is recognized, transferred, and tracked, shall be documented.

6.1.2 The system through which the transfer and tracking of the sustainability/emissions profile is done shall be transparent and verifiable. The system should be an independent third-party 'registry,' or an 'internal ledger' covered by an independent third-party assessment. An 'internal ledger' can be outsourced to a second party.

- 6.1.3 For reporting of a Solution, as a minimum the following parameters shall be tracked through the chain of custody system; the applicable parameter and units shall be documented:
- a) energy content, mass, and/or volume of the fuel.
  - b) life cycle GHG emissions factor of the fuel.
  - c) feedstocks (including the percentage of biogenic material in the feedstock, where applicable) and production processes for the fuel, except in the case of a certified Solution where production processes may be omitted.
- For non-certified Solutions, the underlying calculations, data sources and production processes shall be disclosed in the Report.

Notes:

i) the certificate for the Solution from a certification system conveys the required information.

- 6.2 **LETS characteristics minimum parameters.** For reporting of a LETS, as a minimum the following parameters shall be tracked through the chain of custody system; the applicable parameter and units shall be disclosed in the Report:
- a) mode of transportation associated with the service,
  - b) the amount of transportation activity conducted,
  - c) the GHG emissions intensity of the LETS,
  - d) the total GHG emissions resulting from the amount of transportation activity conducted,
  - e) where applicable, the transportation operation category (TOC) of the service.

- 6.2.1 For transparency reasons and to enable declarations to different stakeholders, information on the (fossil) baseline scenario as listed in clause 6.2 should also be reported and verified.

- 6.3 **Physically vs non-physically tied.** The nature of a LETS identified under clause 5.3 shall be documented as either:
- a) direct generation by the Reporter using a 'physically tied' Solution and using the emissions profile of the actual fuel consumed in delivering the LETS.
  - b) indirect generation by the Reporter using an emissions profile which is purchased for a 'non-physically tied' Solution.

- 6.3.1 **Physical separation vs mass balance.** For a LETS identified as applicable under clause 6.3(a), this shall be demonstrated through documentation of the ownership/ operation of the fleet where the LETS was generated and, as applicable, documentation that the Solution utilized in generating the LETS was tracked through either:
- a) a physical separation chain of custody system; or
  - b) a mass balance chain of custody system, where the boundary of the system, the description of the chain of custody model, as well as underlying methods and parameters including the balancing period and the possibility of physical presence shall be documented in the Monitoring Plan.

- 6.3.2 **Book and claim.** For the LETS identified as applicable under clause 6.3(b), this shall be demonstrated through:
- a) the use of a 'book and claim' chain of custody system; and
  - b) documentation of the LETS generation point.
- Where (a) is applied and a TOC is used for reporting, this shall be documented. The determination of the TOC shall comply with the approach detailed in ISO 14083 clause 6.

6.3.3 **Book and claim.** For a LETS or multiple LETS, the nature of the 'book and claim' chain of custody system used shall be disclosed in the Report as one or more of:

- a) Solution provider: book solution to enable claims for indirect LETS generation
- b) Solution provider: provide solution directly to carrier to directly generate a LETS
- c) Shipper: direct claim
- d) Shipper: indirect claim
- e) Carrier: direct book
- f) Carrier: indirect book
- g) Carrier: claim and rebook
- h) LSP: indirect book
- i) LSP: direct claim and rebook
- j) LSP: indirect claim and rebook

For (g),(i) and (j) the provenance of the LETS rebook shall be clearly documented.

6.4 **Primary and secondary data.** To avoid erroneous double claiming of LETS profiles, where clause 10.2.1(b) is applicable, the Reporter may use the following data sources to determine GHG emissions information for customers that do not claim a LETS profile:

- a) primary data,
- b) secondary data.

To ensure comparability, the same data sources should be used for quantifying the baseline and the LETS.

Where (a) is applicable, this shall not include data associated with a LETS claimed by another customer.

Where (b) is applicable, this shall use the most appropriate emissions intensity assigned to non-LETS activity.

*Notes:*

i) *The terms primary data and secondary data, and how they are to be applied, are defined in ISO 14083.*

ii) *Appropriate emissions intensities are included in ISO 14083 and the GLEC Framework.*

## 7. Constraints

The monitoring and reporting of MBM data shall apply the constraints stated in this clause:

7.1 **Modal Constraint.** For reporting a LETS, the mode where the LETS was generated and where the LETS is being claimed shall be clearly documented. LETS shall not be claimed for a mode in which it was not generated.

*Notes:*

i) *For example, LETS cannot be claimed for a maritime mode if it was generated in a road mode.*

**7.2 Vintage Constraint - profile book or claim.** Constraints applicable to vintage of LETS emissions profiles shall be assessed and documented, and one of the following shall be applied:

- a) Carrier: direct book - profile booked within 12 months of generation.
- b) Carrier: indirect book - profile booked within 12 months of booking of profile of Solution associated with LETS profile. The additionality of the profile shall be assessed and documented in accordance with clause 7.5.
- c) Carrier: claim and rebook - profile re-booked within 12 months of booking of LETS that was claimed. The additionality of the profile shall be assessed and documented in accordance with clause 7.5.
- d) Carrier: direct or indirect claim - profile claimed and reported within 24 months of the year in which the LETS was booked.
- e) LSP: indirect book - profile booked within 12 months of booking of profile of Solution associated with LETS profile. The additionality of the profile shall be assessed and documented in accordance with clause 7.5.
- f) LSP: direct claim and rebook - profile re-booked within 12 months of booking of LETS that was claimed.
- g) LSP: indirect claim and rebook - profile re-booked within 12 months of booking of LETS that was claimed. The additionality of the profile shall be assessed and documented in accordance with clause 7.5.
- h) LSP: direct or indirect claim - profile claimed and reported within 24 months of the year in which the LETS was booked.
- i) Shipper: direct claim - LETS profile included in shipper inventory within 24 months of the year of booking of LETS profile.
- j) Shipper: indirect claim - LETS profile included in shipper inventory within:
  - i) where claiming from a carrier or LSP: 24 months of year of booking of LETS profile,
  - ii) where claiming from a Solution Provider: 24 months of the year of booking of the Solution profile. The additionality of the profile shall be assessed and documented in accordance with clause 7.5
- k) Solution provider: provide direct – n/a.
- l) Solution provider: indirect claim – Solution profile booked within 12 months of production of solution. The additionality of the profile shall be assessed and documented in accordance with clause 7.5.

Where additionality requirements apply, the supplier of the Solution or the LETS (Solution Provider, Carrier or LSP) shall disclose this in the MBM Emissions Report for transparency to the purchaser (claimant) of the LETS.

**7.3 Vintage Constraint - dates.** For the application of clause 7.2 the following minimum data shall be documented:

- a) a brief description of the chain of custody model used,
- b) production date of the Solution,
- c) LETS generation date,
- d) the date the Solution or LETS was booked into the chain of custody system,
- e) the date the Solution or LETS was claimed from the chain of custody system,
- f) the date the Solution or LETS was reported.

*Notes:*

*i) The 'Proof of Sustainability' (PoS) date can be regarded to be the production date of a low emissions Solution. As a result, a carrier or Solution provider has 12 months to book the low emissions Solution after the PoS date to meet the vintage constraints as defined in the MBM Framework and this Specification.*

- 7.4 **Transportation Activity Constraint.** The GHG emissions profile of a LETS shall be determined for the organization's activities by:
- a) determining the organization's mode-specific transportation activity,
  - b) determining for each mode-specific transportation activity either the:
    - i) energy consumption; or
    - ii) emissions intensity
  - c) applying to the organization's transportation activity, for either the LETS or Solution, the:
    - i) GHG emissions factor; or
    - ii) emissions intensity.
- The approach to determining (c) shall be in accordance with ISO 14083 clause 10 and shall be documented.
- 7.5 **Additionality Constraint.** Where the MBM Emissions Report includes a statement on additionality or additionality requirements are specified in clause 7.2, additionality status shall be assessed by:
- a) determining if regulatory requirements apply for the jurisdiction where the Solution is produced or the LETS generated in relation to either:
    - i) a particular action to be undertaken by the Solution Provider or the party that generates the LETS; or
    - ii) a specific outcome to be achieved by the Solution or the LETS.
- The assessment shall be documented including, as a minimum:
- b) the organization type,
  - c) the mode where the LETS is created,
  - d) the LETS Generation Point,
  - e) the specific type of Solution used to generate the LETS,
  - f) the justification for determining that additionality is fulfilled, including:
    - i) the regulations identified,
    - ii) if (a) is in place, why it is fulfilled in the Report's specific circumstances because the Solution or LETS goes beyond the requirements,
    - iii) any sources of evidence to support the proposed interpretation in (ii),
  - g) any credits that may have aided the creation of the Solution, generation of the LETS, or credits for which the organization will apply for (with a note that no additional credits will be applied for).
- 7.6 **Additionality Regulation – particular action or specific outcome.** Where clause 7.5 (a)(i) or (a)(ii) is applicable, the justification under clause 7.5(f) shall include documentation of how:
- a) the contribution of a specific LETS or Solution to the achievement of a required particular action or specific outcome cannot be quantified under the regulation; or
  - B) how the LETS or Solution is not applied towards achieving the required action or outcome requirement.
- 7.7 **Cross-modal credit creation.** Where clause 7.5 is applicable, the justification under clause 7.5(f) shall include documentation of:
- a) the applicable regulations and whether those regulations allow the creation of cross-modal credits,
  - b) whether the Report includes application of this option,
  - c) if (a) and (b) apply to the Report, the extent to which the Reporter for one mode generates credits towards requirements for another mode in the LETS covered by the Report.
- When those Solutions generate credits towards compliance with regulatory requirements for another mode of transportation, the Report must clearly disclose the extent to which LETS they generate are based on a Solution that is used to meet compliance obligations for another mode of transportation.
- 7.8 **Erroneous double counting.** The following topics shall be clearly documented:
- a) how the Reporter has checked and confirmed that there is no erroneous double counting of GHG emissions or emissions profile within the Solution or LETS subject to the Report or the associated calculation factors released to customers/ users,
  - b) any contracts related to erroneous double counting activities within any part of a book and claim transaction.



## 8. Bundling/ Unbundling

The monitoring and reporting of MBM data shall apply the bundling/ unbundling requirements stated in this clause:

- 8.1 **Unbundling.** Where unbundling applies to a transaction, the following shall be clearly documented:
- a) unbundled booking or claiming is conducted in alignment with controls of booking and claiming in the MBM Framework listed by organization type.<sup>3</sup>
  - b) direct/Indirect quality of the LETS.
  - c) the splitting point of the emitter and supply chain emissions profiles identified in clause 6.1.1.
  - d) disclosures and related measures utilized (e.g., business to business declaration) to prevent erroneous double-counting.
  - e) retirement of any emissions profile that is known or planned.
  - f) registry utilized.
  - g) registry rules regarding unbundling.
  - h) status of, and active link to (if applicable), the other emissions profile (e.g., either the emitter profile or the supply chain profile, whichever was the other from the original unbundling).
- 8.2 **Unbundling – error detection.** Where unbundling applies to a transaction for an LSP and an error (upstream of and outside the responsibility and sphere of influence of the Reporter) has been identified by the Reporter, the following shall be clearly documented:
- a) data in clause 8.1.
  - b) location, date, and parties involved in the error.
  - c) date of learning there was an error.
  - d) description of the error.
  - e) resolution of the error including communication with and status of the conflicted profile that created the error.

## 9. Monitoring Plan

The monitoring and reporting of MBM data shall be documented in a formal Monitoring Plan (often named a 'Standard Operating Procedure' or SOP) and associated procedure(s) and records, as stated in this clause:

- 9.1 The Monitoring Plan for the specific Reporter and report type as stated in clause 5.2 shall include as a minimum the requirements for documentation stated in clauses (as applicable): 5.1, 5.3, 6.1, 6.2, 6.3, 7.1, 7.4, 7.8, 8.1, 8.2 (including sub clauses as relevant).
- 9.2 The Monitoring Plan shall include any potential omissions including a rationale.
- 9.3 Where the following are applicable, a formal procedure documenting the approach shall be attached to the monitoring plan, and results of assessment retained in records as evidence:
- a) clause 7.1 requires an assessment of transportation mode,
  - b) clause 7.2 requires an assessment of vintage,
  - c) clause 7.4 requires an assessment of transportation activity,
  - d) clause 7.5 requires an assessment of additionality.

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<sup>3</sup> Please refer to the section "Principles to avoid incorrect double counting", pages 50-54, MBM Framework (Oct. 2023).

# 10. Reporting

Implementation of this specification shall lead to the establishment of a Report in accordance with the scope stated in clause 5 and including the elements that are required to be disclosed in the Report by clauses 10.1 and 10.2:

10.1 The format of the disclosure Report shall follow either:

- a) the template published by SFC, or
- b) a format specified by the Reporter, provided that:
  - i) it contains the required minimum content of this Specification as stated in clause 10.2;
  - ii) it is documented in the Monitoring Plan; and
  - iii) where split into parts, the primary part of the Report issued shall contain clear signposts to where other parts are to be found.

10.2 For the different types of reports specified in clause 5.2, the minimum information stated in this clause shall be clearly disclosed in the Report:

10.2.1 Where the Report applies to the organizational level, the Reporter shall make clear whether one or both of the following apply:

- a) the emissions intensity presented in the Report reflects GHG calculations for allocation of LETS to a specific user or users and is not applicable for use in customer-specific organizational GHG emissions calculations or,
- b) the emissions intensity presented in the Report reflects GHG calculations for transportation activity that can be applied by customers of the Reporter for customer specific organizational GHG calculations.

Where both (a) and (b) are applicable, it shall be transparently disclosed in the Report which intensity factor relates to which circumstance.

Where (b) is applicable, the emissions intensity shall be determined in accordance with clause 6.4.

10.2.2 Where the Report applies to the organizational level, that information has been provided differently to an organization that is using the emissions profile of the LETS and an organization that is not.

10.2.3 Where the Report applies to the level of transportation or hub services the Reporter shall make clear whether:

- a) the emissions information is for an organization that is using the emissions profile of the LETS or,
- b) the emissions information is for an organization that is not using the emissions profile of the LETS.

The LETS emissions intensity associated with (a) and (b) shall be tracked and recorded transparently by the Reporter in its internal systems and the appropriate use of each LETS intensity value shall be documented.

# 11. Internal Controls and Data Retention

Reporters shall have an internal control system and document retention process that ensures the information and data underpinning MBM disclosures in the Report are robust and able to support verification:

11.1 Reporters shall have an internal control system that shall comply with clause 8 of ISO 14064-1 on GHG inventory quality management, as applicable to MBM disclosures.

11.2 Reporters shall retain supporting evidence of the data and information underpinning the MBM disclosures for a minimum of five years.

*Notes:*

*i) this is in case there is a dispute about disclosed data or the verification process.*

*ii) supporting evidence includes, for example:*

- \* calculation/ determination of data presented in the Report,*
- \* documentation and records required by this Specification, as well as contractual or other records of transfers, registration, certification etc of Solutions and/or LETS,*
- \* references such as sources of default values,*
- \* external systems' standard operating procedures.*

# 12. Verification

Verification of the Report referred to in clause 5 may be undertaken to provide transparency and confidence to the intended users of data disclosed in it.

12.1 If the Reporter chooses to have its MBM Emissions Report verified, this must be carried out in line with the SFC CAS, and as a minimum shall include making available to the verifier:

- a) the draft Report,
- b) the relevant Monitoring Plan and any associated procedures and records required by this Specification, and all documents necessary to verify the disclosures made in the Report,
- c) all underlying evidence identified by the verifier as necessary to complete their work.

12.2 If the Reporter chooses to have its MBM Emissions Report verified, the requirements for verification are specified in the VVB Manual - MBM Specification and shall be applied as applicable to the criteria set out in this Specification, and as a minimum shall include establishing:

- a) the objectives and type of Report to be verified,
- b) the level of assurance,
- c) the quantitative materiality threshold to be applied.

*Notes:*

*i) Section 7 of the SFC CAS VVB Manual – ISO 14083 describes the activities associated with the planning of a verification, including the elements in this clause.*

ISBN 978-9-08-336291-5

