



3. Setting Organizational Boundaries

1. Company Z participates in five facilities, of which only one is fully owned and the rest are joint operations. Its business relationship with each of the facilities is as follows:

Facility	Financial Control (Yes/No)	Operational Control (Yes/No)	Ownership
A	No	No	25%
B	No	Yes	75%
C	Yes	Yes	100%
D	No	No	30%
E	Yes	No	51%

In the table below, apply the consolidation rules on the total emissions of each of these five facilities separately to calculate the emissions Z would account for:

Facilities	Total Facility Level Emissions	Emissions		
		Financial Control Approach	Operational Control Approach	Equity Share Approach
A	500	<u>0</u>	<u>0</u>	<u>125</u>
B	1000	<u>0</u>	<u>1000</u>	<u>750</u>
C	1000	<u>1000</u>	<u>1000</u>	<u>1000</u>
D	5000	<u>0</u>	<u>0</u>	<u>1500</u>
E	2000	<u>2000</u>	<u>0</u>	<u>3060</u>
Company Z TOTAL		<u>6000</u>	<u>8000</u>	<u>6435</u>

2. What do you notice from the table above about the three different approaches? Can you think of any situations when a company might use one approach over the other?

3. Alpha, Inc. is a company with a complicated organizational structure. The legal, ownership, operational, and financial characteristics of each of its operations are outlined in the table below. In the last two columns, specify which percentage of each operation's emissions Alpha, Inc. should include in its GHG inventory under the equity share, operational control and financial control approaches to setting organizational boundaries.

Wholly owned and joint operations of Alpha, Inc.	Legal structure and partners	Economic interest held by Alpha, Inc.	Control of operating policies	Treatment in Alpha, Inc.'s financial accounts	Percent of GHG emissions accounted for and reported by Alpha, Inc. under each consolidation approach		
					Financial Control	Operational Control	Equity Share
Beta	Incorporated company	100%	Alpha	Wholly owned subsidiary	<u>100%</u>	<u>100%</u>	<u>100%</u>
Gamma	Incorporated company	30%	Zeta	No financial control	<u>0%</u>	<u>0%</u>	<u>30%</u>
Delta	Joint venture; partners have joint financial control; the other partner is Epsilon	50% by Beta	Epsilon	Joint financial control via Beta and Epsilon	<u>50%</u>	<u>0%</u>	<u>50%</u>
Pi	Subsidiary of Gamma	75% by Gamma	Gamma	via Gamma	<u>0%</u>	<u>0%</u>	<u>22.5%</u>
Omega	Incorporated joint venture, other partner Lambda	56%	Lambda	Subsidiary	<u>100%</u>	<u>0%</u>	<u>56%</u>