



The Climate Registry

How to account for leased property

From The Climate Registry's General Reporting Protocol (GRP)

Chapter 4.6 Leased Facilities/Vehicles and Landlord/Tenant Arrangements

You should account for and report emissions from leased facilities and vehicles according to:

- 1) The type of lease associated with the facility or source
- 2) The organizational boundary approach selected

There are two types of leases:

Finance or capital lease. This type of lease enables the lessee to operate an asset and also gives the lessee all the risks and rewards of owning the asset. Assets leased under a capital or finance lease are considered wholly owned assets in financial accounting and are recorded as such on the balance sheet. If you have an asset under a finance or capital lease, the Registry considers this asset to be wholly owned by you.

Operating lease. This type of lease enables the lessee to operate an asset, like a building or vehicle, but does not give the lessee any of the risks or rewards of owning the asset. Any lease that is not a finance or capital lease is an operating lease. In most cases, operating leases cover rented office space and leased vehicles, whereas finance or capital leases are for large industrial equipment. If you have an asset under an operational lease, the Registry requires this asset be reported only if you are using the operational control approach.

Reporting Emissions from Leased Assets

Under a **finance or capital lease** you are required to account for and report emissions from a facility or source regardless of the organizational boundary approach selected. Therefore, you should account for and report these emissions under the **financial control, operational control, and equity share** approaches.

When a facility or source is under an operating lease (e.g., most office space rentals and long-term vehicle leases), the organizational boundary approach selected will determine whether you will report the asset's associated emissions.

Under **operational control** you are required to report emissions from assets for which you have an operating lease as Scope 1 or Scope 2 emissions. Under the operational control approach, it is the lessee's control of these emission sources that makes the lessee responsible for reporting the emissions from these sources.

Lessees of office space should report emissions from electricity use, and heating and cooling of the space whenever possible. If you cannot report emissions from heating and cooling because it is not

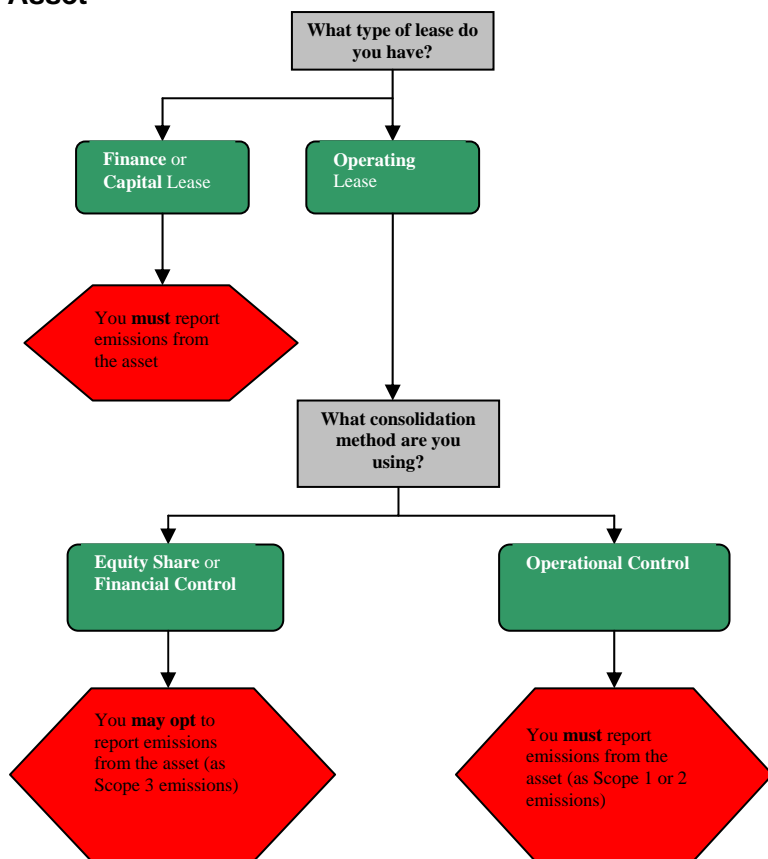
possible to obtain the necessary data, then you are only required to report emissions from electricity use.

Under the **equity share** approach or the **financial control** approach, reporting the emissions from a facility or source with an operating lease is optional. If you choose to report these emissions, they are counted as Scope 3 emissions.

Please note that rental cars and short-term leases fall under business travel and employee commuting and are reported as Scope 3 *optional* emissions.

Figure 4.2 below is a decision tree designed to help *lessees* determine how to report emissions from leased assets.

Figure 4.2 Decision Tree for Determining the Lessee’s Reporting Requirements for a Leased Asset



Reporting Requirements for Lessors

In general, the requirements for a lessor are the opposite of the lessee’s reporting requirements.

For example, the lessor is *not* required to report emissions for assets leased under a capital or finance lease regardless of the consolidation method applied by the lessor (although the lessor may *opt* to report these emissions as Scope 3 emissions).

Similarly, the lessor is *not* required to report emissions for assets leased under an operating lease *if* the lessor is using the **operational control** consolidation method. However, the lessor *must* report such emissions *if* it is using the **equity share** or **financial control** approach.

Figure 4.2 below is a decision tree designed to help *lessors* determine how to report emissions from leased assets.

Figure 4.3 Decision Tree for Determining the Lessor’s Reporting Requirements for a Leased Asset

