

# Pre-Investment Considerations: Diving Deeper into Assessing Future Greenhouse Gas Impact

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Executive Summary  
April 2023

# Executive Summary

Project Frame (Frame) brings investors and climate and impact experts together to build common terminology, methodology, and best practices.

Our mission is to accelerate the flow of capital to the best possible climate solutions while prioritizing transparency and accountability. This paper builds on the work Project Frame released in early 2022, beginning with our guiding principles and our previous paper, [An Introduction to Assessing Planned Greenhouse Gas \(GHG\) Impact](#). Frame's intention is to build consensus around best practices for venture capital and private equity climate investing while demystifying the field in order to drive more capital towards solutions for a liveable climate.

This iteration of our pre-investment guidance consolidates the expertise of eight original authors, 10 internal reviewers and contributors, as well as outside reviewers and 30 focus group members from leading climate investing firms.

Forward-looking GHG impact assessments are an evolving practice, but we are proud of the progress our working group has made to reach consensus on several aspects of pre-investment emissions impact screening and to highlight areas

that require further debate. We look forward to diving deeper in the months and years ahead. You may find that not every topic applies to your practice.

It is also important to mention that Frame's Content Working Group, who guided this methodology's creation, was not always able to reach 100 percent consensus on aspects of the methodology. In order to move the methodology forward, we convened a focus group alongside our working group members to vote on areas where we struggled to reach alignment.

We are not a prescriptive body, but we are encouraged by the feedback we received from our focus group indicating an interest in aligning their investment practices with the recommendations proposed by Project Frame (consistently over 85 percent, across several categories). We do not take this responsibility lightly and look forward to growing together. Frame's aim is to enable seamless and efficient communications between entrepreneurs and investors so that we can all spend more time and energy delivering impact.

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*Project Frame is not a regulatory body, nor should its content be considered financial advice. Methodology guidance produced by Project Frame represents our contributors' consensus and no one singular entity. Our work is intended for readers to review and use their best judgment to accelerate GHG mitigation with transparency and accountability.*

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As practitioners, it is critical for us to develop common practices to assess the forward-looking emissions impact of emerging climate solutions. Although difficult, alignment on these assessment methodologies, developed through collaborations such as those fostered by Project Frame, will be the catalyst to unlock the trillions in capital needed and measure the impact to address the climate crisis.

*Neil Yeoh, CEO,  
[OnePointFive](#)*

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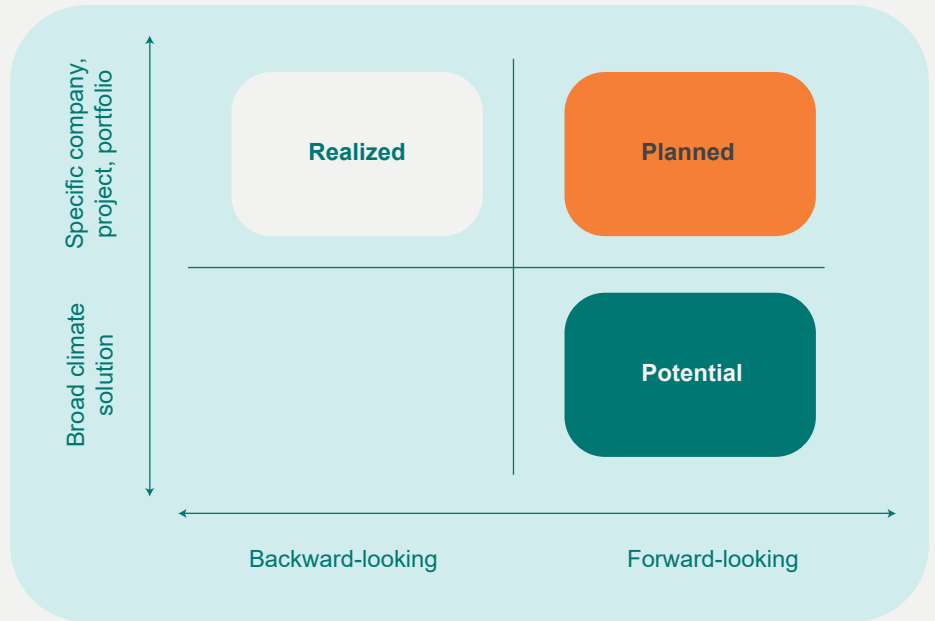
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# Key Takeaways

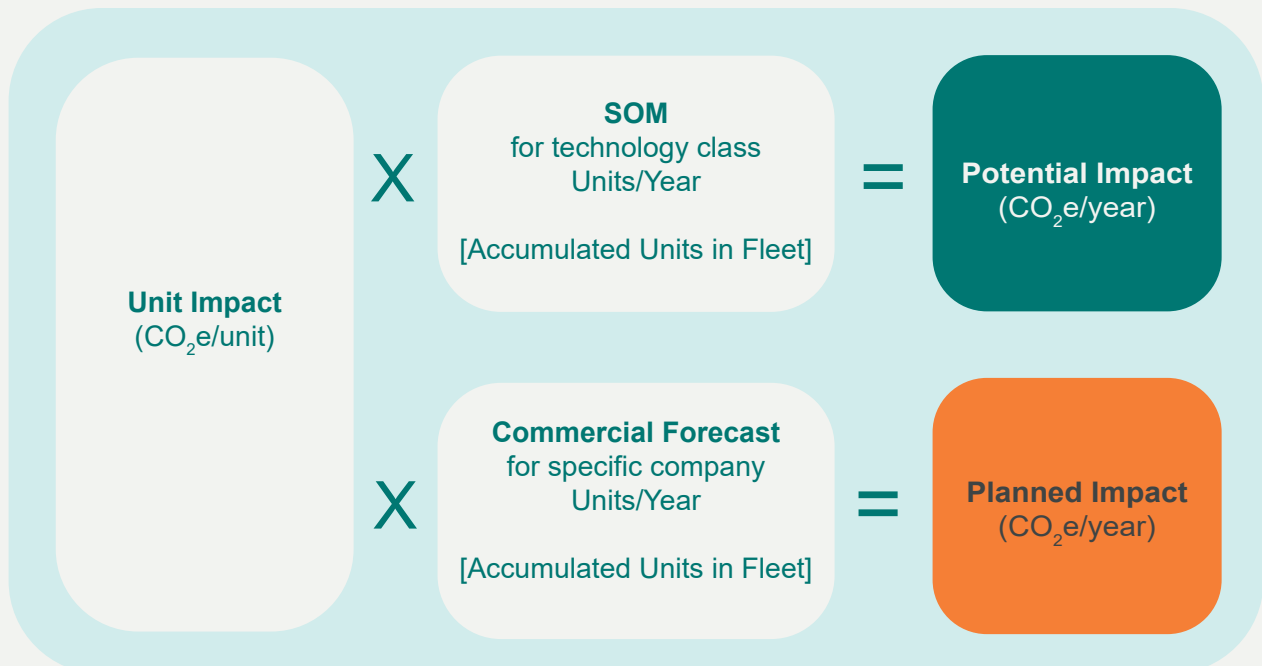
## UNDERSTANDING THE DIFFERENCE BETWEEN POTENTIAL AND PLANNED IMPACT

Before diving into the background and steps for the methodology in detail, it's important to understand that Frame differentiates two overarching methodologies for assessing "impact." Project Frame defines impact as the way a solution is expected to directly or indirectly result in a change in greenhouse gas (GHG) emissions when compared to a defined status quo or incumbent.

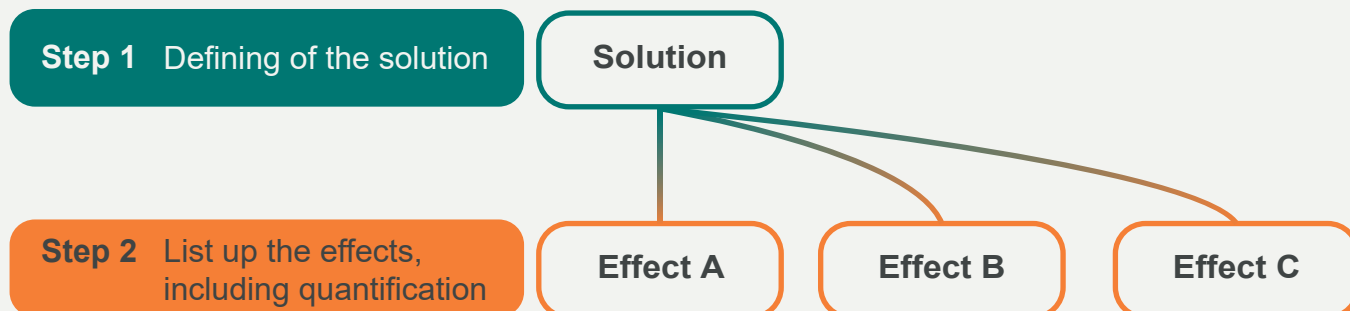
The difference between potential and planned impact lies in how the calculations account for a future deployment of the solution.



Whether you use planned or potential impact will be decided by your investment and/or impact teams. However, **Section 1: Unit Impact** is a prerequisite for either. If you are newer to forward-looking impact, we suggest starting with **Section 2: Potential Impact** and working towards **Section 3: Planned Impact** analysis.



## THINK THROUGH YOUR SOLUTION'S MULTIPLE EFFECTS



A solution often generates multiple effects that may or may not be linked to one another. The impact storyteller needs to describe each of these effects separately.

Some effects of a given solution may be identified but ultimately excluded from a quantitative forward-looking impact analysis, particularly if they are expected to be orders of magnitude lower than the more significant effects.

Take, for instance, a solution related to lithium-ion (Li-ion) batteries. Energy and material

requirements for batteries produce emissions, but the solution also reduces emissions by enabling EVs and renewables. The analyst may decide not to study the embedded emissions of the battery because they assume that it is dwarfed by the emissions-reducing effect of displacing fossil energy. Making and documenting assumptions of this type can dramatically accelerate the analysis process, simplify the analysis itself, and leave room for model refinement in the future or by third parties.

## CONSTRUCT A BASELINE SCENARIO

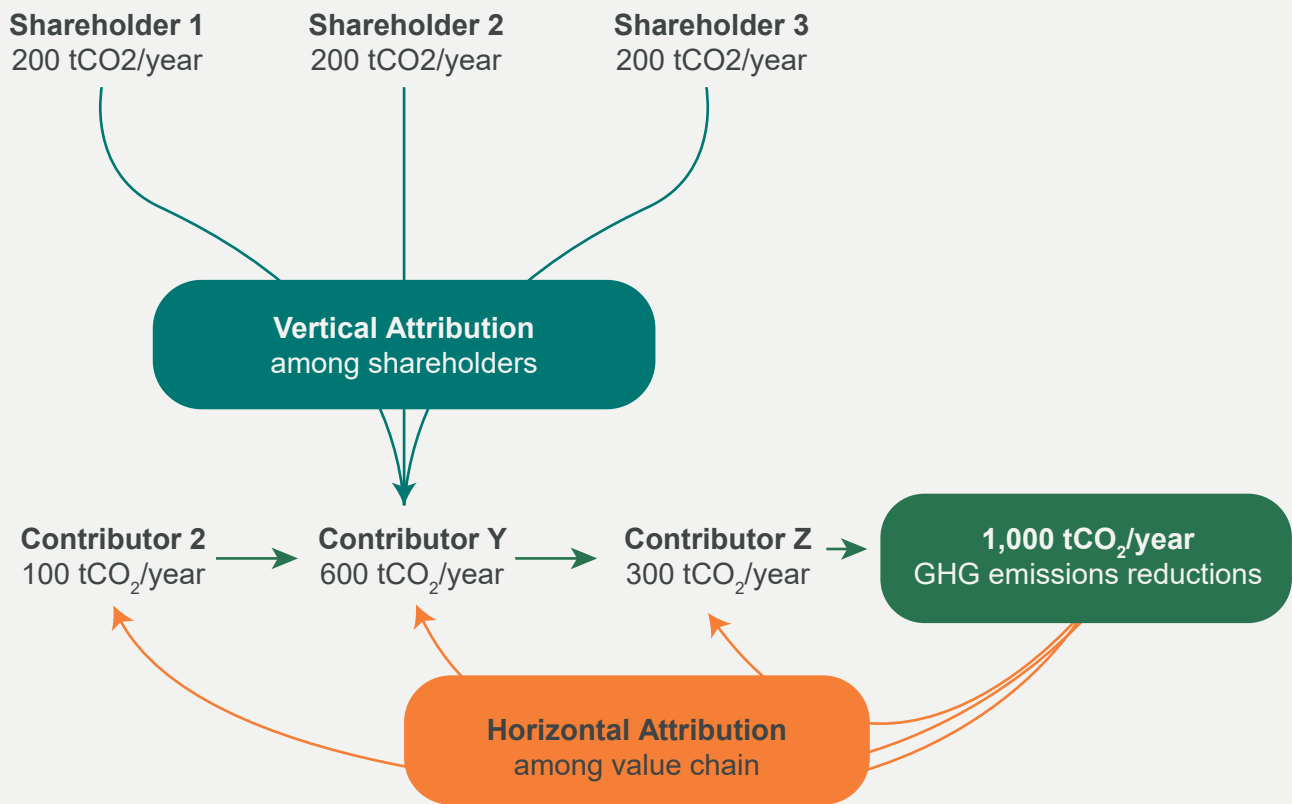
A baseline scenario is a counterfactual projection of GHG emissions over time, representing what would have happened in the absence of an investment or a climate solution. Baseline scenarios should reflect the investor's view of the economic, financial, societal, and regulatory outlook that is relevant to the industry and technologies being analyzed. Some elements of the baseline scenario relate to market size; see **Section 2** for more detail.

Project Frame broadly classifies baseline scenarios into two types: static (assumed constant over time, utilizing present-day status quo parameters) or dynamic (assumed to change over time).

# BE CAREFUL WHEN USING ATTRIBUTION AND ADDITIONALITY

When deciding whether or not to claim GHG impact attribution to an investment, we should first ask: Why is this important? Why can't all the contributors along a value chain claim the final result in its entirety? How can we claim attribution with rigor and transparency?

See **Section 4** where we discuss two different types of attribution: horizontal and vertical.



Frame does not intend to promote the practice of attributing GHG impact to a dollar value or particular investment. As stated in this guidance's opening, the majority of investors currently do not consider attribution when screening proposed climate solutions pre-investment. Frame's minimum recommendation is for investors to report the aggregate of their portfolio companies' potential and/or planned GHG impact and the

portfolio companies' realized or actual GHG emissions impact during the year when the effect has been produced. Reporting further details on the total impact by subcategories, such as GHG impact type, solution type, and geography, are highly encouraged. It should be made clear they are reporting the total impact of their portfolio companies without attributing the impact uniquely to their investment.

Based on the feedback received from the Frame Focus Group, investors wishing to claim attribution can report a percentage of their portfolio companies' achievements using their equity ownership proportion in these companies during the year when the effect has been produced. This can be complemented by qualitative inputs detailing the additional contributions of the investor to ensure the proposed climate solution's or company's success. This continues to be an area of strong debate among the Frame community and we will continue to update guidance in the future.

Out of all the concepts presented in this iteration of the methodology, the concept of "additionality" is the most debated. We have not yet reached consensus on a final definition or on ways to consistently or systematically assess additionality. In this section, our intention is to provide context, considerations, as well as questions to facilitate thoughtful examination of the term and its application.

A proposed climate solution or other climate intervention is said to be additional if the GHG reduction would not occur but for the deployment/existence of the proposed climate solution or intervention. If the reductions would happen anyway, then the proposed climate solution's GHG reduction is not additional.

The following issues should be considered when assessing the additionality of a proposed climate solution:

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**Laws & Regulations**

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**Alternative Solutions**

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**Creating New Energy Demand (Rebound Effect)**

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**Elimination of Barriers to Market Entry**

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Frame recommends providing a definition for how your firm interprets and applies additionality before making any claims. Firms should also reevaluate and capture their decision-making process regularly. Developing a consistent framework or using a decision-making tool can assist the process.

# What's Next

We thank all of our contributors for supporting the development of [Pre-Investment Considerations: Diving Deeper into Assessing Future GHG Impact](#). Outside the body of the text, the appendix includes additional resources, including examples to help investors and impact professionals with their assessment journey. During the development of this iteration, we uncovered several topics that require further discussion.

In May 2023, we will be launching a new Project Frame Content Working Group, composed of approximately 25 member organizations that will begin to tackle concepts like relative versus absolute baselines, reliable data sets for baseline setting, time value of carbon, reporting realized GHG impact, as well as continuing our analysis of attribution and additionality. If you are interested in participating in the conversation by joining a focus group or sharing your GHG impact journey through an investor profile, contact us at [impact@primecoalition.org](mailto:impact@primecoalition.org).

## SUPPORT OUR WORK

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*Project Frame is a nonprofit program convened by [Prime Coalition](#), a nonprofit 501(c)(3), catalytic investor, and co-creator of the [CRANE](#) tool.*

*Project Frame does not accept direct funding from its members. Rather, it operates through grants provided to Prime. We thank those who wish to make [a donation](#) to support Prime Coalition's work and join our shared mission to advance impact accountability in climate investing. Donations by Frame community members will be anonymized to program staff.*

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