



Public Consultation on Sectoral Decarbonization Approach Methodology Summary of Results

Background

The Sectoral Decarbonization Approach (SDA) is a publicly-available methodology that companies can use to set their emissions reduction targets in line with climate science. It was created as part of the Science Based Targets initiative, which aims to provide guidance and tools for companies to do their fair share in keeping global warming below a 2°C temperature increase from pre-industrial levels. This version of the SDA is the first of several, as it will be periodically revised to check the validity of its projections and account for company progress towards their targeted carbon intensity pathways. The initiative is led by a partnership between CDP, UN Global Compact, WRI, and WWF. Ecofys was contracted as technical consultant to help develop the SDA methodology and its accompanying tool.

Survey Distribution and Response

The final draft of SDA V1.0 was published online on September 23, 2014 for public consultation in order to identify areas that required clarification or may be improved. Stakeholders were given one month to provide their feedback. Invitations were sent to stakeholders who previously expressed interest in the initiative, were part of an email list of one of the initiative's partner organizations, or were a member of the initiative's Technical Advisory Group. They represented a wide range of companies, NGOs and other organizations that have an interest or expertise in the topic. Though certain stakeholders were invited, the consultation process was open to the general public.

Comments were collected through several avenues. Feedback was primarily received through an online survey that requested comments on specific parts of the methodology that the authors sought additional evaluation on as well as provided space for general comments. There were 17 or 18 survey questions (depending on responses to multiple choice questions and their follow-up questions). Additionally, feedback was received through emails from and phone discussions with members of the initiative's steering committee. Representatives from more than 50 organizations provided comments during the public consultation process. Approximately 40% of respondents were either from a sector that is not included in the SDA or from an organization where sector classification is not applicable. A breakdown of the responders that represented SDA sectors is shown in Figure 1. At least one company from every sector in the SDA responded except Iron & steel and Passenger transport – rail.

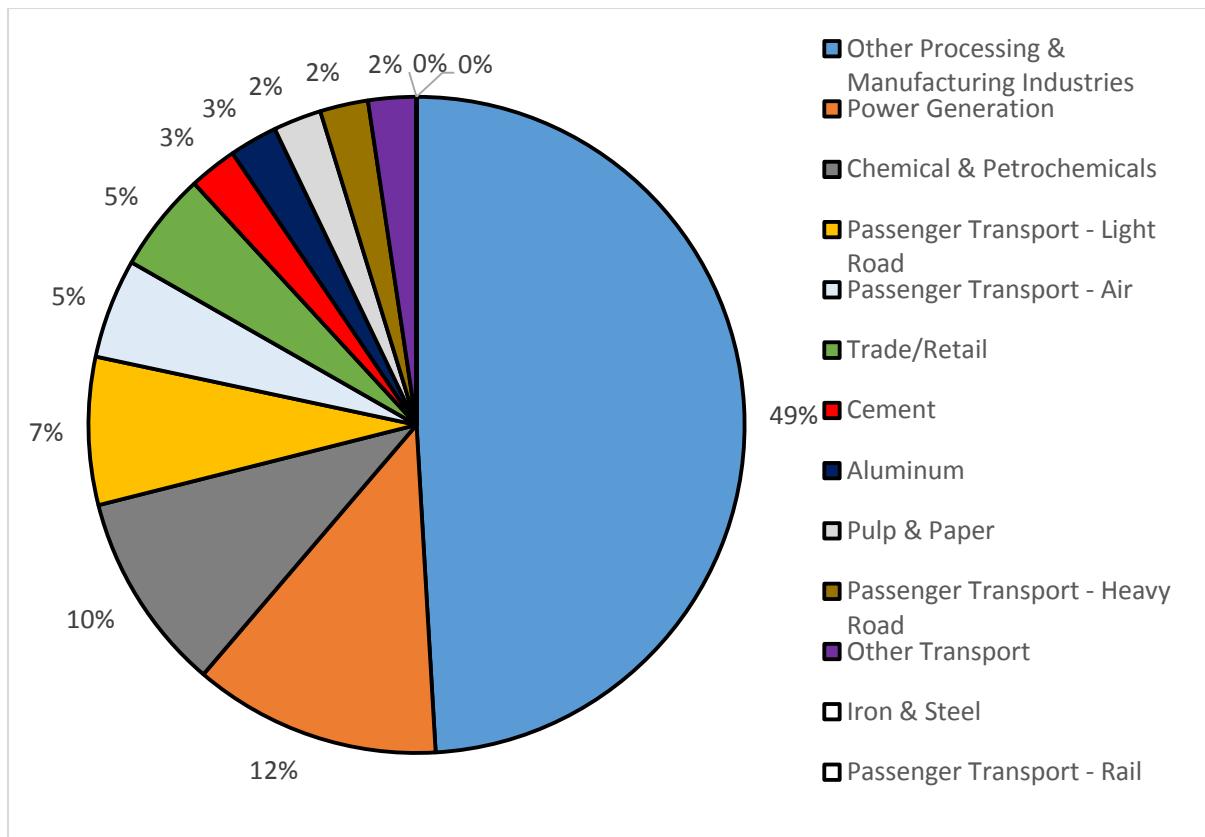


Figure 1. Sectoral representation of respondents to the online survey

Process to evaluate survey results

All responses were reviewed thoroughly by the partner organizations. Feedback that was deemed appropriate was either incorporated into SDA V1.0 where feasible, or will be addressed in future versions of the SDA or other project activities. Information deemed not appropriate may have been infeasible to incorporate, not backed by credible sources, and/or already included.

Incorporation of Feedback into the SDA

Aggregated survey results revealed the main issues below, which were brought up by multiple respondents. Less substantial suggestions may have been incorporated in the SDA methodology, though not explicitly discussed in this report.

Emissions budget

Summary of feedback:

- Approximately 43% of respondents stated that the methodology was not clearly communicated and the topic that needed the most clarification was the emissions budget. Many respondents raised concerns over whether the SDA's emissions budget is in line with the IPCC's RCP 2.6 budget.



How feedback was addressed:

- Figure 21 and Table 7 from the draft, which displayed the SDA sectoral CO₂ emissions budgets from 2010 to 2050, now include the IPCC's budget for comparison. They illustrate the conservation of the RCP 2.6 budget.
- A table describing how the IEA ETP 2014 budgets were translated into the SDA sectoral budgets has been added to Appendix II.
- Figure 5, previously titled "Sectoral coverage of under the SDA methodology," is now more accurately worded. It now states that emissions shown are all greenhouse gases. (The SDA is based on a CO₂ budget, which considers the radiative forces of other gases.)
- The justification for using the peak and decline model is also explained more clearly in several sub-sections.

Assumptions

Summary of feedback:

- Approximately 35% of respondents stated that one or more assumptions were unreasonable and suggested modifications or qualifying statements be added in order to make the assumptions more accurate (Figure 2).
- Some respondents also suggested methods to improve Assumption #2, which addresses the issue of equity.

How feedback was addressed:

- Assumption #7 was removed and two more were added to more accurately describe the underlying principles of the methodology.
- Assumption #5, which defines gross profit, was changed from "revenue minus the cost of *sold* goods and services" to "revenue minus the cost of *purchased* goods and services" to be in line with other common accounting terms.
- IEA's ETP 2014 GDP growth rate predictions were added to the appendix to improve the transparency of the assumptions.
- Suggestions to account for equity in Assumption #2 either proposed points that had already been considered while developing SDA V 1.0 or will be included in future versions.

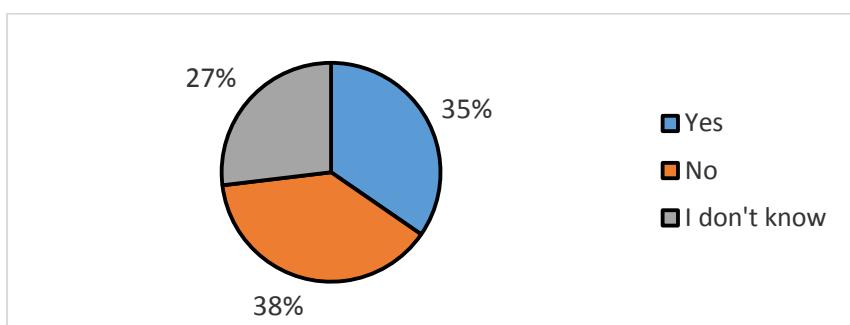


Figure 2. Percentage of respondents who found the assumptions unreasonable

Terms and Definitions

Science Based Targets

Summary of feedback:

- Some respondents requested a clear definition of science-based targets to help elucidate what other methodologies might qualify.

How feedback was addressed:

- The initiative's definition of science-based targets was added to the methodology. The Technical Advisory Group of corporate sustainability experts was consulted. A more detailed version that discusses the specifics of what qualifies, what does not, and why will be included in future project activities.

Value Added

Summary of feedback:

- A few respondents suggested that the definition of value added be more easily found in the methodology.

How feedback was addressed:

- The definition was added to the glossary and is discussed in further detail in several places where it is mentioned in the text.

Equations

It should be noted that the equations used to calculate company emissions targets have been revised; however, the error was found internally and was not prompted by the public consultation process.

The original equations did not account for companies changing their market share. The new equations have replaced those in the draft SDA methodology and tool. The case studies from Section 3 of the methodology were subsequently updated. In the first version of the equations these conditions worked only in the case that the growth rate of a company was equal to the growth rate of its sector. The relationship between the company growth and the sector growth had to be corrected. Previously, if a company grew faster than the sector but also started from a higher intensity than the sector average it led to over budgeting CO₂.

Topics to be included in future versions of the SDA or other resources

Several recommended topics to include were deemed appropriate but not feasible to address in this version of the SDA:

- Some respondents provided suggestions for alternative activity indicators. These will be considered for SDA V2.0.
- Some respondents said that multiple activity indicators for each sector would make the methodology more robust by accounting for structural differences between companies. This will be considered for SDA V2.0.
- Some respondents provided suggestions for new sectors to be included. Those that are backed by credible sources will be considered in future versions of the SDA in addition to



those already identified in the SDA but not currently included (i.e. Agriculture, forestry and other land use; Oil and gas; and Residential buildings).

- A few respondents commented that boundaries would be useful in delineating emissions intensities and scopes in target setting. Boundaries will be discussed in the guidance documents the initiative is developing.
- A few respondents commented that additional Scope 3 emissions categories should be included. They will be included in future versions of the SDA when data become available.
- A few respondents requested options for organizations that fit many sectors (e.g. finance companies). This will be further evaluated in future activities.

Interest in science-based targets

In addition to asking respondents for feedback, the survey also included several questions to gauge the respondents' level of interest in the SDA and other science-based target setting methodologies (Figure 3). After reviewing SDA methodology, 28% of respondents said they would evaluate the SDA for future use. About 18% said they plan to use a science-based target setting methodology other than the SDA. The other methodologies were designed by the company internally and/or methodologies supported by the Science Based Targets initiative. Those that do not plan to implement the SDA stated that they are from an organization that wouldn't necessarily implement it and that they are reviewing it to determine whether it would be appropriate for their clients. Those that were unsure whether they would use the SDA stated concerns in the topics described above.

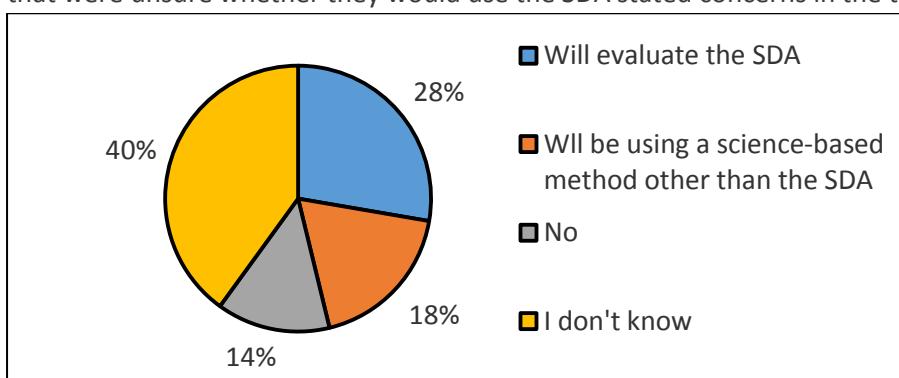


Figure 3. Over 46% of respondents plan to implement a science-based target

Survey Outcome

Following the analysis of the survey results, the Steering Committee of the Science Based Targets initiative has not only edited version 1.0 of the SDA so that it is more clearly communicated and robust, but acquired valuable input that will be taken into consideration in future activities.

For questions on the survey results please contact info@sciencebasedtargets.org.